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PORT OF SAN FRANCISCO

Wharfside

SPECIAL ANNUAL REPORT ISSUE

Front cover: New container cranes are delivered to San Francisco.

A Year of Achievement

1986–87 was a year of getting things done . . . and getting new things started.

- After over 20 years of talking and planning, the Fisherman's Wharf breakwater was completed.

- A new 36-acre Intermodal Container Transfer Facility was built adjacent to the container terminals expanding San Francisco's rail capabilities as the only California port with an on-dock ICTF.

- To handle the now and future large-volume cargo vessels, the Port purchased two state-of-the-art container cranes and completed plans to dredge deeper access channels to the container terminals.

- A new concept was adopted for the passenger terminal that would double berthing capacity and improve "sailing day" efficiency to keep San Francisco a first-class port-of-call.

- Vacancies in commercial property at the Port were reduced to a level well below the City average.

- Cargo tonnage moving through the Port of San Francisco increased 8%.

- The Port strengthened its efforts to preserve and promote San Francisco's ship repair industry, the largest blue collar employer in the City, through its support of homeporting Navy vessels.

- The Port initiated a Fisherman's Wharf design plan that will secure the future of the commercial fishing industry in San Francisco.

- Internal data processing capabilities were dramatically expanded and upgraded. This will increase operating efficiency and service to Port customers.

- Trade development was expanded to strengthen the ability of the Port to create cargo opportunities for the shipping lines.

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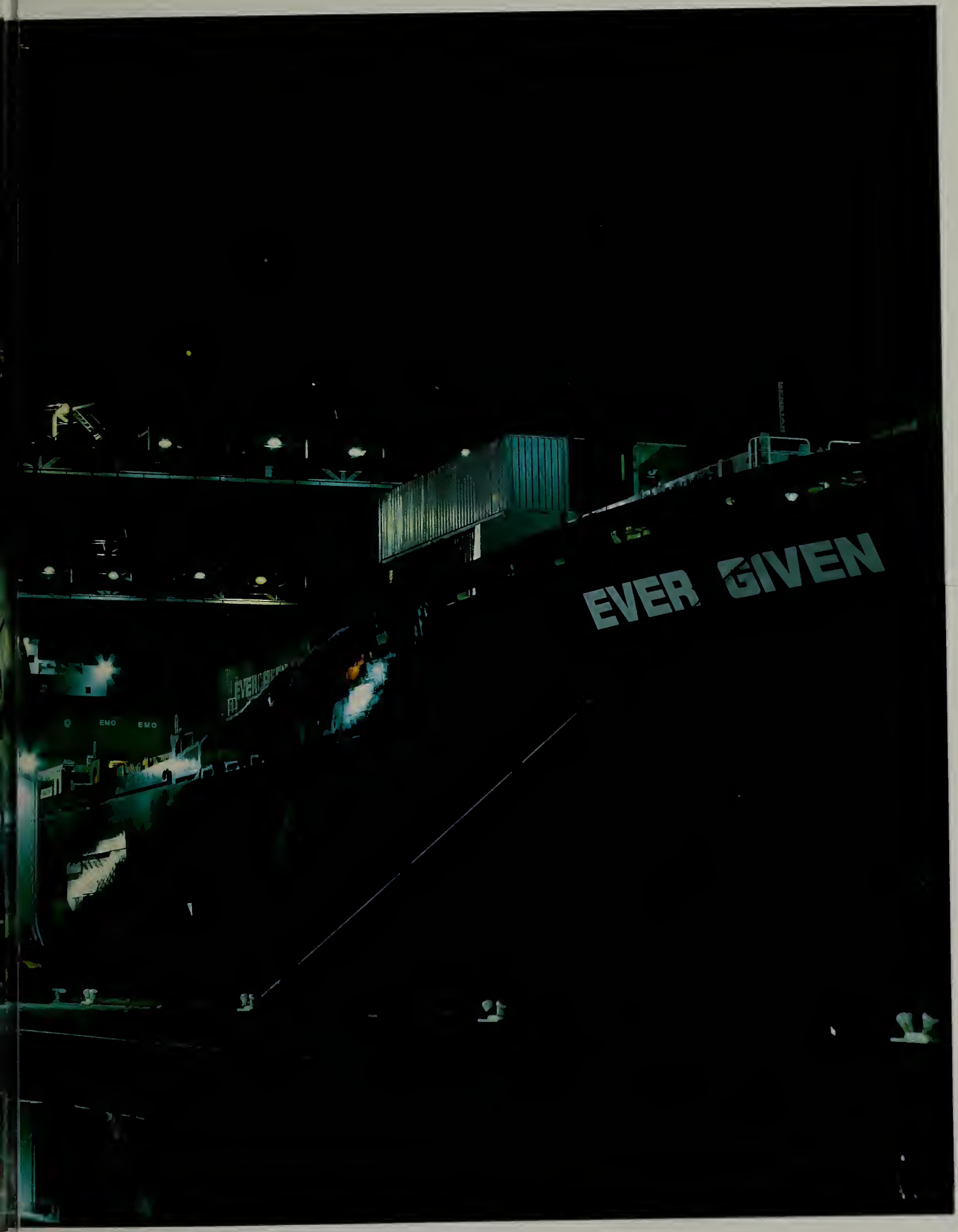
The Port of San Francisco which operates on a self-supporting basis and receives no taxpayer assistance, this year earned a net income of $2,892,000 as revenue reached $29,457,000. Expenses also rose due to increased insurance and legal costs.

San Francisco is a broad-based port providing the services required to encourage growth in each of five distinct markets—cargo handling, ship repair, commercial fishing, passenger services and commercial property. The goal of the Port is to maintain and improve the competitiveness of each of these markets for the economic benefit of the Port, the City and the citizens of San Francisco. In addition, the Port develops and maintains waterfront recreational areas for everyone to enjoy.

The centerpiece of the fourth largest market area in the country, San Francisco is the financial center of Northern California and the hub of business activities involved in international trade. Against this rich background, the Port has created unique niches for its shipping lines and its marketing areas.


EVER GIVEN

MARITIME

In fiscal year 1986–87 the Port of San Francisco increased its position among West Coast ports as an active and aggressive participant in international trade. While the general cargo tonnage moving through Northern California ports increased 4%, San Francisco's tonnage increased 12%.

Maritime operations accounted for $10,599,000 of the operating revenues this year. The addition of four new shipping lines and the growth of the Port's other shipping line tenants largely made up for the discontinuance of West Coast transpacific service by Lykes Line. Mexican Line (Transportación Maritima Mexicana), operating a service between the Far East, West Coast and Mexico; South Seas Steamship Company, serving South Pacific islands; Canadian Tropic Line in a service from British Columbia to Panama, and Compania Peruana de Vapores, serving Latin America, either moved to or established their operations at the Port of San Francisco.

In November 1986, the Port dedicated its new 36-acre Intermodal Container Transfer Facility (ICTF) adjacent to South Container Terminal, expanding the on-dock rail capabilities it has offered since 1984.

Transpacific continues to be the dominant trade route and is growing. This year the transpacific trade accounted for 67% of all general cargo and 75% of all container cargo handled by the Port of San Francisco. Tonnage in this route increased 14%. Major factors contributing to this increase were the continued growth of Evergreen Line and the addition of Japan Line at the end of the last fiscal year.

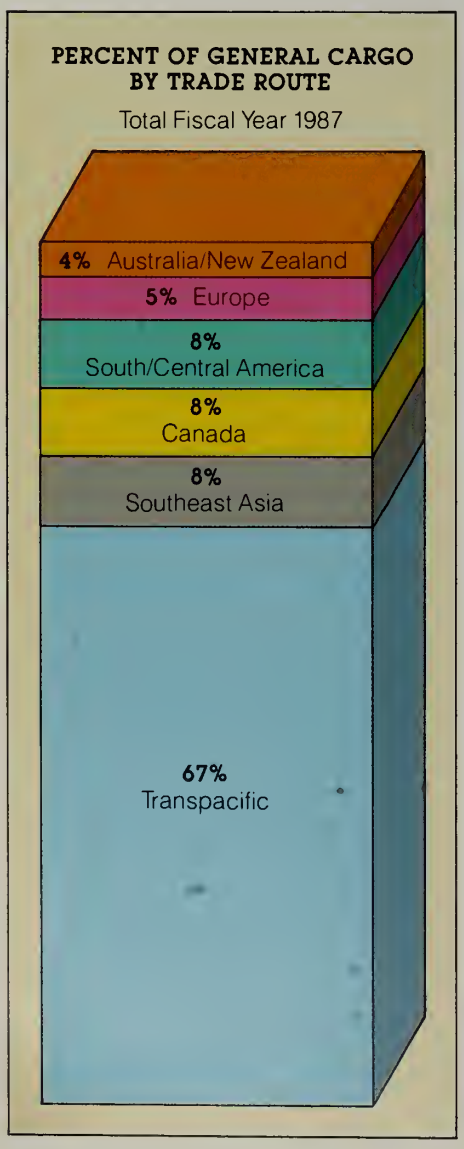
Tonnage in the Australia/New Zealand route went up with the increased frequency of Columbus Line's service.

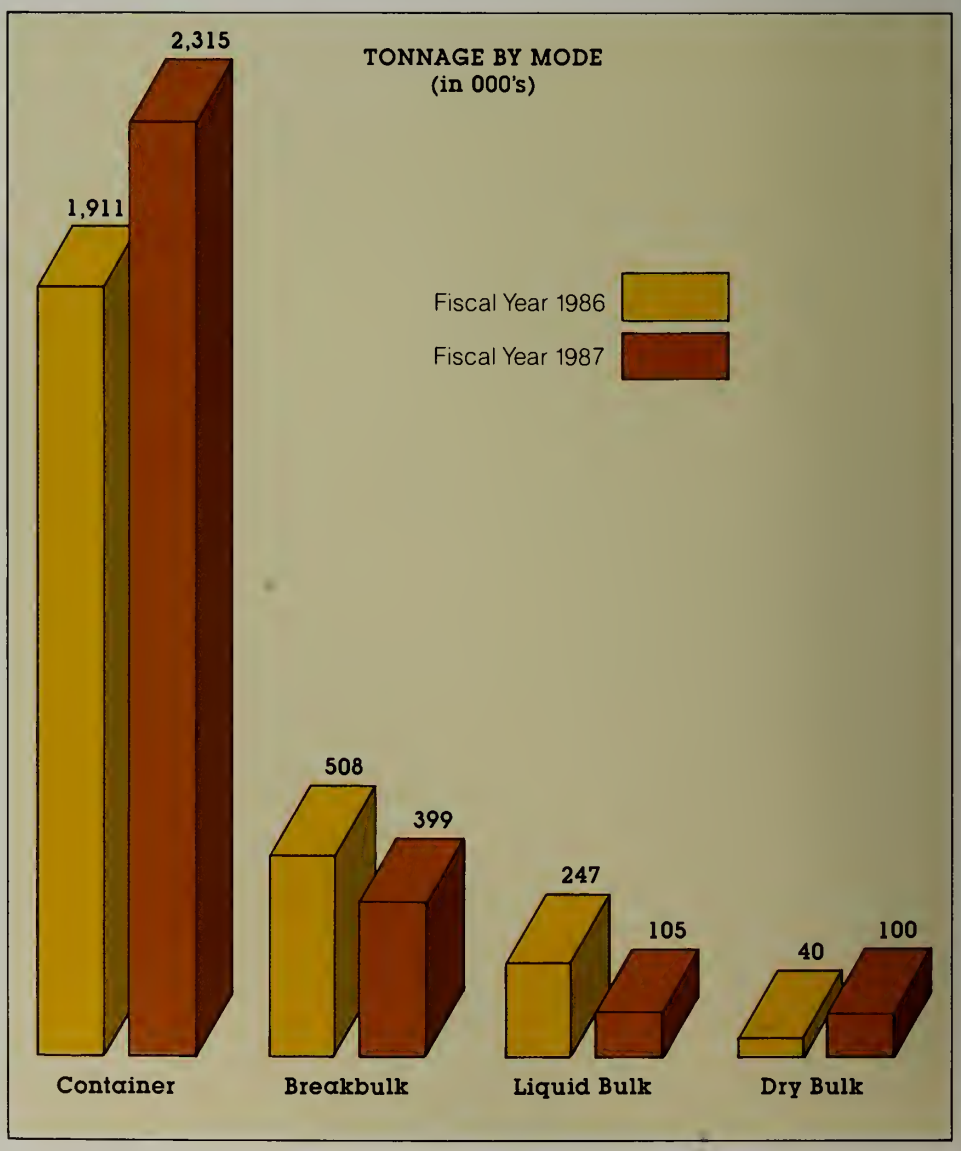
The largest percentage of growth was in the Southeast Asia trade route in which the total amount of general cargo increased 68%. This was due primarily to a substantial increase in tonnage handled by National Shipping Company of the Philippines.

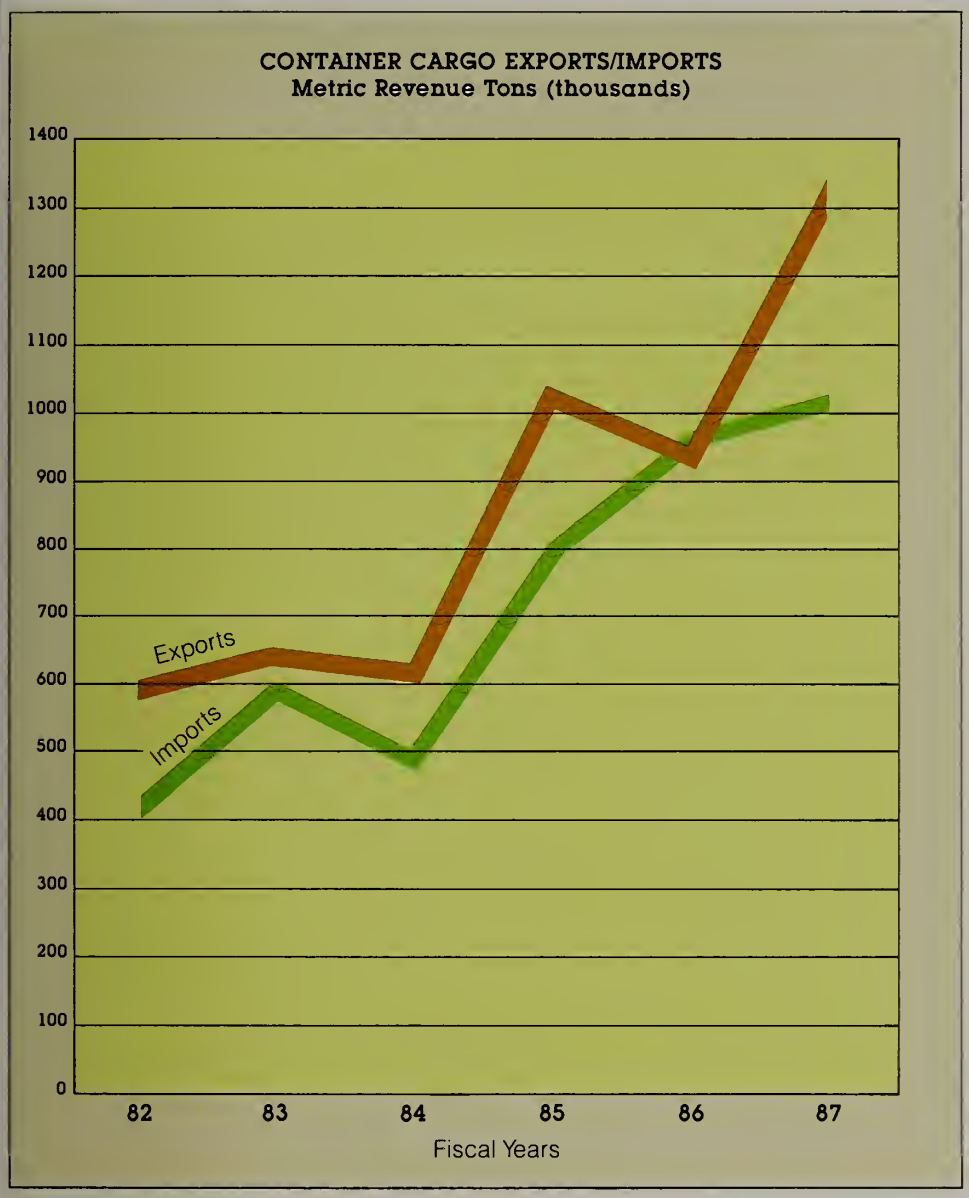
The South/Central America trade route handles one of San Francisco's major imports—coffee. This year 92% of all Latin American coffee imported through the Bay Area was handled by the Port of San Francisco. To further strengthen the Port's commitments in this area, the Port this year appointed a representative for Latin America and established a new sister port relationship with the Port of Guayaquil, Ecuador.

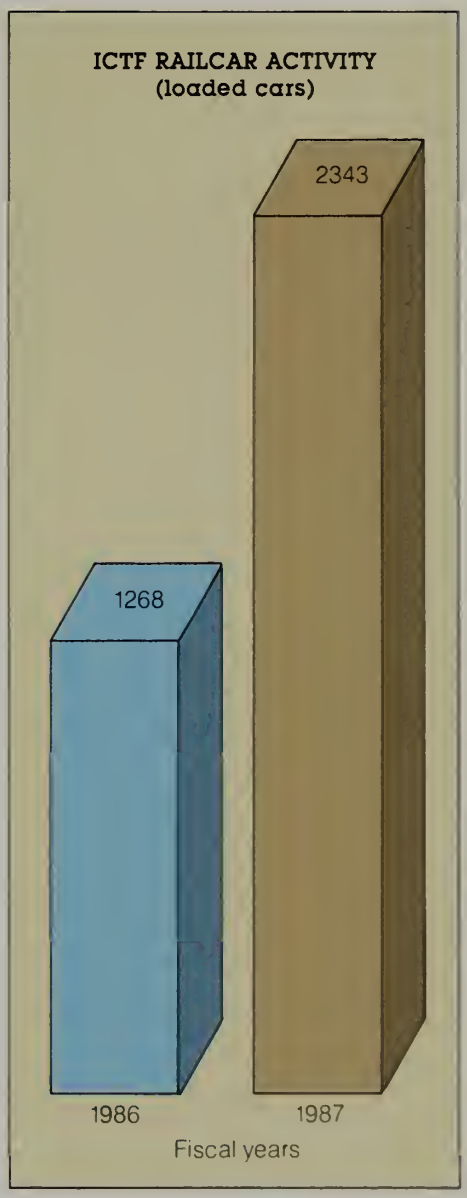
Cargo Handling

Total cargo tonnage increased 8% this year rising to 2,919,000 metric revenue tons. The most significant increases were









in general cargo and container. General cargo rose 12% with container cargo showing a 21% increase. This containerized cargo amounted to 104,000 TEUs. Total intermodal tonnage handled this year was 365,000, a 16% increase over 1985–86.

Exports accounted for 51% of the total cargo and 56% of the containerized cargo. This is an increase over last year when exports were only 45% of total cargo and 50% of container cargo. Major exports were animal feed, cotton, scrap metal and waste paper; while leading imports were automobiles, coffee, newsprint and fish/meat products.

The only significant decline was in liquid bulk. This was due primarily to the decrease in bunkering activity in San Francisco and the drop in coconut oil imports during the restructuring of the Philippine-owned importing company.

Increased efforts were made this year to generate new cargo for the lines using the Port. For example, San Francisco's cargo base was expanded with the establishment of a waste paper compression facility on the Southern Waterfront. Waste paper is the highest volume export for all Bay area ports and will continue to grow.

Modernization of facilities continued this year with addition of new equipment and services to handle the larger vessels and to attract the high-value discretionary cargo. Two new 40-long-ton, 100-foot-gauge container cranes, designed by Paceco and fabricated by Hyundai Heavy Industries, arrived at North Container Terminal. These cranes, which have the height and reach to handle the larger ships, will be in operation by the first of 1988.

Traffic flow into and through South Container Terminal was improved with the construction of a new entry gate that increased the number of incoming and outgoing lanes and streamlined delivery and pick-up procedures. North Container Terminal underwent gate improvements last year.

In support of San Francisco's shippers and shipping lines, a simple, easy-to-use corridor for overweight cargo was established along Third Street from Pier 50, past North Container Terminal and into the Intermodal Container Transfer Facility and the South Container Terminal. Many trucking, Container Freight Stations and warehousing facilities have direct access to this designated corridor. No special equipment is required to use this corridor.

Plans were approved for dredging two new 42-foot access channels to the Container Terminals, which will allow greater maneuverability in docking the larger containerships. The project is now underway and will be completed in November 1987, making San Francisco the only Northern California port with 42 feet of water.

Passenger Services

Cruise activity out of San Francisco returned to normal in 1986–87 after reaching a peak in 1985–86 when cruise lines shifted vessels from the fear-depressed Mediterranean market to the popular West Coast/Vancouver Expo market. A total of 73,000 passengers embarked or disembarked at San Francisco in fiscal year 1986–87 during 111 passenger vessel calls. This is down from 102,000 passengers and 133 vessel calls in 1985–86. A second factor contributing to the decline was the shift from San Francisco to Los Angeles as embarkation port for Holland American Line's Mexican cruises.

San Francisco has always been a popular port-of-call with cruise passengers and a regular destination on longer luxury cruises. This year passengers spent an estimated $20,000,000 in San Francisco hotels and restaurants, and for shopping and entertainment. In addition, the average cruise ship spent $70,000 to $100,000 for goods and services in preparation of a San Francisco-based departure. The total economic impact that the cruise industry has on San Francisco from both direct and indirect expenditures is estimated at between $60,000,000 and $70,000,000 annually.

New cruise ships visiting San Francisco for the first time this year were Cunard's *Sea Goddess I*, Exploration Cruise Lines' *Explorer Starship*, Bermuda Cruise Line's *Canada Star* and Epirotiki Line's *World Renaissance*.

The Port plans to further improve the Passenger Terminal by doubling the size of the facility and increasing the efficiency of moving passengers and baggage in and out of the terminal. A scheme currently under consideration would add Pier 33 to the present Pier 35 terminal allowing for the simultaneous docking of two large cruiseliners and several of the smaller excursion boats.

New at the Passenger Terminal this year were a hydraulic gangway and a passenger security system. The gangway, designed and built by California Stevedore and Ballast Company, operator of the Passenger Terminal, provides easier ship-to-terminal access and accommodates the varying ship configurations.

The two magnometer screening systems, similar to the security systems used at airports, were installed this year by CS&B at the request of the cruise lines.

Ship Repair

Ship repair berth days rose from 1,709 in 1985–86 to 2,974 in 1986–87, a 74% increase. The four ship repair facilities at the Port, Continental Maritime, Service Engineering, Southwest Marine and Todd, contributed $3,356,000 to the Port's revenue. In addition, these firms spent an estimated $87,000,000 elsewhere in the City for goods and services.

San Francisco is the dominant ship repair base in Northern California. As the major employer of blue collar workers in San Francisco with an estimated available workforce of 3,000, ship repair has a far-reaching impact on the City and the entire Bay Area. Employment impact is figured at three to one; or for every direct ship repair job, three indirect jobs are created. This year's payroll for full-time workers was well over $100,000,000.

The future growth of the ship repair industry in San Francisco is closely tied to further commitments by the Navy to homeport vessels in San Francisco. The Navy now accounts for 88% of all ship repair work.

Fishing Industry

San Francisco is the leading wholesale fish receiving and distributing port on the West Coast, outside Alaska. The Port has been working closely with the fishing industry this year to secure the future of commercial fishing and fish handling in San Francisco.

A 1,500-foot breakwater designed to protect the fishing fleet at Fisherman's Wharf and the historic ships at Hyde Street Pier from destructive wave action was completed and dedicated in October 1986.

The design plan was completed for the first phase of the new commercial fishing development at Fisherman's Wharf. Upon completion in late 1989 (for the harbor berths) and mid-1990 (for the fish handling facilities), San Francisco will have a modern, up-to-date commercial fishery which will remain competitive for decades to come. A harbor feasibility report is being prepared in anticipation of Cal Boating Loan funding.

In the meantime, commercial fishing facilities have continued to be upgraded. Improvements were made to the electrical system, fresh water supply system and lighting for the existing fishing boat berths.

COMMERCIAL

Revenues from commercial operations were $17,530,000 in fiscal year 1986–87. This is an increase of 10.69% over the previous year. The major commercial item, rental revenues, was boosted 15% over fiscal year 1985–86.

Office vacancies on Port property were reduced substantially even under the weak market conditions that prevailed during the year. While the vacancy rate in San Francisco averaged 16%, the Port reduced its total office vacancies to 10%; and vacancies in the Ferry Building/World Trade Center dropped to 7%. In addition, negotiations with existing tenants in the Ferry Building/World Trade Center resulted in over $2 million of upgrading and renovation work to the building at the tenants' expense.

Several significant leases were awarded this year. A new 20-year lease for a marine center on the Southern Waterfront not only fills a gap in San Francisco's small boat services, but doubles the revenue the Port has been receiving from the site and brings the added potential of being able to provide much higher revenues in the future.

A lease was concluded with the San Francisco Police Department for the establishment of a car-crushing facility at Pier 70. This operation helps solve the city-wide problem of abandoned automobile disposal, and also provides the Port with new revenues in excess of $370,000.

A particularly noteworthy accomplishment of the Finance and Administration division this year was the expansion and upgrading of the Port's data processing capabilities. The Port's Data Processing Department successfully implemented a Novell Local Area Network of 25 personal computers. In addition to offering word processing, spread sheets, and other classic "PC" applications, all of the new work stations are capable of serving as user work stations for the existing microdata minicomputers. This brings the number of serviced users in operation from last year's 22, to a total of 47 this year, or a 114% increase in user service. Simultaneously, the Data Processing Department was able to lower its 1986–87 operating budget to 11% under the 1985–86 budget.

The financial condition of the Port continues to be positive. Working capital reached $15,877,000 this year, a dramatic rise from zero in 1980.

IN TOUCH WITH THE COMMUNITY

The Port sponsored or participated in a number of community interest events this year. The 5-mile Fleet Week Challenge Run along the waterfront in October and the Port Promenade Whaleboat Race held each May in conjunction with World Trade Week have become annual activities. Both are organized by the Port and sponsored by Friends of the Port.

Festa Italiana was held for the fifth year in Pier 45. Co-sponsored by the Port, the four-day festival is scheduled around Columbus Day. Festa draws many people to Fisherman's Wharf, as does the Christmas season's Dickens Fair also held in Pier 45.

Among the special events staged this year was the Great San Francisco Railroad Fair in April. The first railroad exhibit in San Francisco since 1915, the fair utilized the Port of San Francisco Belt Railway tracks on the northern waterfront.

Control headquarters for the spectacular light and sound fireworks display celebrating the 50th birthday of the Bay Bridge was set up on the Ferry Building deck outside the Port offices.

Benefit runs, bicycle races, and many community activities have become common occurrences along the Port of San Francisco waterfront.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO
FINANCIAL STATEMENTS
AND ACCOUNTANTS' REPORT

JUNE 30, 1987 AND 1986

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Accountants' Report

The Honorable John C. Farrell, Controller
City and County of San Francisco

We have examined the balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1987 and 1986, and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Port as of June 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Hood and Strong
Morris, Davis & Company
October 2, 1987
San Francisco, California

Balance Sheet

June 30, 1987 and 1986 (in thousands)

Assets		1987	1986
Current assets:	Cash, principally in City Treasury—Port operating fund	**$24,033**	$21,061
	Accounts receivable (less allowance for doubtful accounts 1987—$711; 1986—$1,554)	**2,129**	2,340
	Accrued interest receivable	**896**	1,651
	Materials and supplies	**982**	911
	Prepaid insurance and other assets	**1,550**	1,520
	Total Current Assets	**29,590**	27,483
Restricted assets:	Cash and short-term investments		
	Capital outlay	**26,740**	35,790
	Bond interest and redemption	**9,768**	11,072
	Lessee deposits held in trust	**1,045**	685
	Total Restricted Assets	**37,553**	47,535
Property, plant, and equipment—Net:		**180,650**	171,712
Long-term receivable:		**346**	315
	Total	**$248,139**	$247,210

Liabilities and Equity		1987	1986
Current liabilities:	Accounts payable and accrued liabilities	**$10,081**	7,928
	Current maturities of bonded debt	**3,635**	3,520
	Accrued bond interest payable	**253**	273
	Total Current Liabilities	**13,969**	11,721
Payable from restricted assets:	Accrued bond interest payable	**2,571**	2,566
	Lessee deposits	**1,045**	685
	Total	**3,616**	3,251
Deferred rentals:		**8,948**	9,281
Bonded debt:	Less current maturities	**85,232**	88,769
	Total Liabilities	**111,765**	113,142
Equity:	Contributed capital	**15,208**	15,208
	Revaluation of property	**56,063**	56,063
	Retained earnings	**65,103**	62,797
	Total Equity	**136,374**	134,068
	Total	**$248,139**	$247,210

The accompanying notes are an integral part of this statement

Statement of Income and Retained Earnings

Years ended June 30, 1987 and 1986
(in thousands)

		1987	1986
Operating revenues:	Property rentals—commercial	**$16,607**	$14 692
	Property rentals—maritime	**4,929**	4 803
	Wharfage, dockage, and demurrage	**5,670**	6 335
	Commercial power	**923**	1 145
	Other	**1,328**	2 436
	Total Operating Revenues	**29,457**	29 411
Operating expenses:	Operations	**11,030**	9 590
	Maintenance	**10,472**	9 592
	Depreciation	**4,129**	3 631
	Commercial power	**733**	924
	Fire boat operations	**920**	927
	Total Operating Expenses	**27,284**	24 664
Operating Income:		**2,173**	4 747
Interest income:		**3,025**	3 193
Interest expense:		**(2,892)**	(2 889)
Net income:		**2,306**	5 051
Retained earnings—	Beginning of year:	**62,797**	57 746
Retained earnings—	End of year:	**$65,103**	$62 797

The accompannying notes are an integral part of this statement

Statement of Changes in Financial Position

Years ended June 30, 1987 and 1986 (in thousands)

		1987	1986
Sources of funds:	Operations:		
	Net Income	$2,306	[illegible]
	Expenses not using working capital—depreciation and amortization	4,231	[illegible]
	Revenue not providing working capital—Fire insurance proceeds		[illegible]
	Recognition of deferred revenue	(335)	[illegible]
	Total From Operations	6,202	[illegible]
	Decrease in restricted assets	10,132	
	Increase in liabilities payable from restricted assets	143	[illegible]
	Total	16,477	[illegible]
Uses of funds	Increase in restricted assets		[illegible]
	Acquisition of property, plant, and equipment	13,067	[illegible]
	Reduction of noncurrent bonded debt	3,635	[illegible]
	Additional long-term receivable	31	[illegible]
	Total	16,733	[illegible]
(Decrease) Increase in working capital:		($ 256)	[illegible]
Working capital increase (decrease) by component:	Cash	$ 2,972	[illegible]
	Accounts receivable	(219)	[illegible]
	Accrued interest receivable	(755)	[illegible]
	Materials and supplies	71	[illegible]
	Prepaid insurance and other assets	23	[illegible]
	Accounts payable and accrued liabilities	(2,253)	[illegible]
	Current maturities of bonded debt	(115)	
	Accrued bond interest payable	20	[illegible]
(Decrease) Increase in working capital:		($ 256)	[illegible]

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant accounting policies

Organization: The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act") as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust provided that the State would then assume all lawful obligations related to such lands.

Lease Revenue: Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the operating method. Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and Supplies: Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates last-in first-out method).

Property, Plant and Equipment: Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18,000,000 are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such borrowings, is capitalized from the date of borrowing through the construction period.

Other property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Notes to Financial Statements

(continued)

Note 2. Cash and investments

The City's pooled cash and investments are invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are in order of priority: preservation of capital, liquidity and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

The Port is required by bond indenture to invest excess funds related to the bonds in government obligations and certificates of deposit.

The Port's separate investments, including those held by trustees, are categorized below to give an indication of the level of risk assumed by the Port at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Port or its agent in the Port's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer's trust department or agent in the Port's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Port's name.

At June 30, 1987 and 1986, cash and investments held by trustees included the following (in thousands):

Type of investment	Category	1987	1986
Negotiable certificates of deposit			[illegible]
U.S. Agency Instruments	3	$9,762	[illegible]
Certificates of Deposit	1	6	[illegible]
Cash Deposits — Trustees			[illegible]
		$9,768	[illegible]

The cost approximates market value. The investments generally mature within one year. The investment categories refer to June 30, 1987 balances only. Comparative information for 1986 investments is not available.

Notes to Financial Statements

(continued)

Note 3.
Property, plant, and equipment

At June 30, 1987 and 1986, property, plant and equipment consisted of (in thousands):

	1987	1986	Estimated Useful Life (Years)
Land and land improvements	**$115,804**	$115,756	
Buildings, structures and related improvements	**131,819**	128,509	5–50
Equipment	**4,759**	4,369	5–40
Total	**252,382**	248,634	
Less depreciation and amortization	**(85,319)**	(81,245)	
Net	**167,063**	167,389	
Construction work in progress	**13,587**	4,323	
Total	**$180,650**	$171,712	

Total interest cost was $6,854,000 and $7,020,000 for fiscal years 1987 and 1986 of which $3,962,000 and $4,131,000 was capitalized, respectively. Total interest earned was $6,018,000 and $7,324,000 for fiscal years 1987 and 1986 of which $2,993,000 and $4,131,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $48,000,000 and $42,200,000 at June 30, 1987 and 1986, respectively.

Note 4.
Deferred rentals

During 1983, the Port acquired land subject to a thirty-year tenant lease on the condition that the Port not exercise its option to take possession of such property until termination of the lease. The $9,900,000 property value received has been included in land and deferred rentals. The deferred rentals related to this land, $8,400,000 and $8,730,000 at June 30, 1987 and 1986, are being recognized as rental revenue over the thirty-year lease term.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1987 and 1986, restricted capital out-lay funds included unexpended fire insurance proceeds of $2,203,000 and $2,[illegible] respectively.

Note 6. Operating Revenues—Property rentals

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows (in thousands):

	1987	1986
Minimum rentals	**$17,766**	$16,[illegible]
Percentage rentals	**3,770**	1,[illegible]
	$21,536	$19,[illegible]

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows (in thousands):

Year ending June 30:	
1988	$7,[illegible]
1989	[illegible]
1990	[illegible]
1991	[illegible]
1992	[illegible]
Thereafter	[illegible]
Total	$[illegible]

Property subject to operating leases and property held for lease at June 30, 1987 consisted of (in thousands):

Land and land improvements	$[illegible]
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $48,642)	[illegible]
Total	$[illegible]

Note 7. Employee benefit plans

Pension Plans: The City has a defined benefit retirement plan which is administered by the San Francisco City and County Employees' Retirement System ("City Retirement System"). The majority of full-time employees of the Port participate in this plan along with other employees of the City. Certain employees who commenced their employment at the Port prior to February 1, 1969, participate in the State of California Public Employees' Retirement System ("PERS"). These plans provide death, disability and service retirement benefits. Benefits are based on average final compensation, years of service and [illegible] required cost-of-living increases.

Notes to Financial Statements

(continued)

Note 5.
Bonded debt

At June 30, 1987 and 1986, bonded debt consisted of (in thousands):

	Interest Rate (%)	Fiscal Year Last Series Matures	**Balance 1987**	Balance 1986
General Obligation Bonds:				
State of California:				
Third Seawall 1913	4.0	1989	**$240**	$375
Fifth Seawall 1958, Series B, F, G, and H	1.0–4.85	1999	**12,075**	13,710
City and County of San Francisco—Harbor Improvement 1971				
Series A	4.5–6.0	2003	**12,800**	13,600
Series B	5.4–6.75	2005	**7,200**	7,600
Total General Obligation Bonds			**32,315**	35,285
Revenue Bonds:				
Series A 1969	7.0–8.5	2000	**8,900**	9,200
Series B 1971	5.25–6.75	2002	**6,800**	7,050
Series C 1984	9.5–11.5	2010	**42,500**	42,500
Total Revenue Bonds			**58,200**	58,750
Total Bonded Debt			**90,515**	94,035
Less:				
Current maturities			**3,635**	3,520
Unamortized discount—Revenue Bond Series C			**1,648**	1,750
Total Long-Term Bonded Debt			**$85,232**	$88,765

The bonds mature as follows (in thousands):

Year Ending June 30	State of California	City and County of San Francisco	Revenue Bonds	Total
1988	$1,770	$1,200	$665	$3,635
1989	1,740	1,200	760	3,700
1990	1,635	1,200	880	3,715
1991	1,060	1,200	1,065	3,325
1992	1,055	1,200	1,505	3,760
Thereafter	5,035	14,000	54,325	72,360
Total	$12,315	$20,000	$58,200	$90,515

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

Notes to Financial Statements

(continued)

Note 7. Employee benefit plans (continued)

The [illegible] plans are financed primarily by (a) employer contributions which include contributions from the Port (b) employee contributions and (c) income from investments. Employer contribution rates are established by the City Retirement System and PERS based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to amortize past service costs through the year 2000. Contributions and other operating expenses were approximately $1,373,700 and $1,454,000 for fiscal 1987 and 1986, respectively.

The Plans' assets, liabilities, and benefits are not specified to individual unions. Information on total net assets available for pension benefits and the actuarial present value of accumulated plan benefits for the City Retirement System are included in the City's Comprehensive Annual Financial Report.

Prior to 1987, the Port was obligated to annually contribute $[illegible] until July 1, 1998 to the State PERS for settlement of an unfunded [illegible]. The Port suspended payments based on advice of the PERS actuaries. The remaining unfunded liability at June 30, 1987 (amounting to approximately $650,000) is expected to be eliminated as a result of actuarial [illegible].

Deferred Compensation Plan: The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits them to defer a portion of their salary until future years.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report.

Health Care Benefits—Retired Employees: The Port provides health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age. These benefits and similar benefits for active employees are provided through the City's Health Care System. The Port recognizes the cost of providing the benefits by expensing the annual insurance premiums, which were approximately $210,000 and $158,000 for the years ended June 30, 1987 and 1986, respectively. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

Note 8. Related party transactions

The City performs certain administrative services such as cash, [illegible] and investment for all fund groups within the City. The Port is charged for these services based upon the City's indirect cost allocation plan. Other City departments, primarily the fire department and the City attorney's office, provide certain services which are charged directly to the Port. The cost of all other services combined included as operating expenses in the statement of income was approximately $2,400,000 in 1987 and $2,200,000 in 1986.

Included in accounts payable and accrued liabilities are [illegible] to City departments of approximately $2,441,000 and $207,000 at June 30, 1987 and 1986, respectively.

Note 9. Commitments and contingent liabilities

The Port is presently planning various development projects which involve a commitment to expend significant capital funds. The Port had [illegible] commitments at June 30, 1987 for approximately $2,635,000 for [illegible] material and services.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc., for a period of twenty years. The contract is cancellable by Port Railroad, Inc., with nine months' written notice.

The Port is a defendant in various lawsuits, most dealing with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, [illegible] include an accrual for the aggregate amount of deductibles under [illegible] insurance policies. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

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OF
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1989

PORT OF SAN FRANCISCO

Wharfside

December/January 1989

SPECIAL ANNUAL REPORT ISSUE WITH PROJECTS IN PROGRESS

Front cover: M.V. ACT 12 inaugurated ACT/PACE service to San Francisco.

Highlights of 1987/88

- Operating income nearly doubled last year reaching $4,154,000.

- Cargo tonnage increased 8% and totaled 3,159,000 metric revenue tons.

- Two new cargo lines moved their Bay Area operations to the Port of San Francisco—Blue Star Line and ACT/PACE.

- A U.S. Customs Centralized Examination Station was established on-dock at North Container Terminal.

- Two new Hyundai/Paceco container cranes at North Container Terminal became operational.

- Access channels to a 42-foot depth were dredged to North and South Container Terminals.

- The Port signed a lease agreement with Southwest Marine for the former Todd Shipyard property that includes approximately $12.5 million in ship repair equipment, drydocks and cranes, acquired by the Port as a result of a lease termination agreement with Todd Shipyard.

- A conceptual plan for the development of commercial fishing facilities at Fisherman's Wharf was adopted by the Port Commission.

- A Cruise Industry Task Force was formed to attract more cruise ships and more cruise passengers to San Francisco.

- Approximately 300 building permits were processed by the Port Engineering Department.

- A record 23 teams competed in this year's annual Port Promenade Whaleboat Race held each May. For the fourth consecutive year, the Port and Friends of the Port co-sponsored the October Fleet Week Challenge Run.

- The year brought changes in leadership to the City and the Port. In January 1988, Art Agnos became mayor of the City of San Francisco and Vello Kiisk was named acting executive director of the Port. Anne Halsted was elected president of the Port Commission and James Herman, vice president.

Financial

In fiscal year 1987/88 the Port of San Francisco's operating revenues were $29,745,000 resulting in a slight increase over 1986/87. This, together with a decrease in expenses, gave the Port an operating income of $4,154,000, an increase of $1,981,000 over 1986/87. Usually, net income is "the bottom line"—the figure used to compare this year with previous years and to assess how the Port fared. However the 1987/88 net income, $16,661,000, includes property assets acquired by the Todd Shipyard lease termination which caused this year's figure to be a whopping $14,355,000 over last year's. For this reason, operating income gives a clearer picture of available income and of just how the year shaped up for the Port.

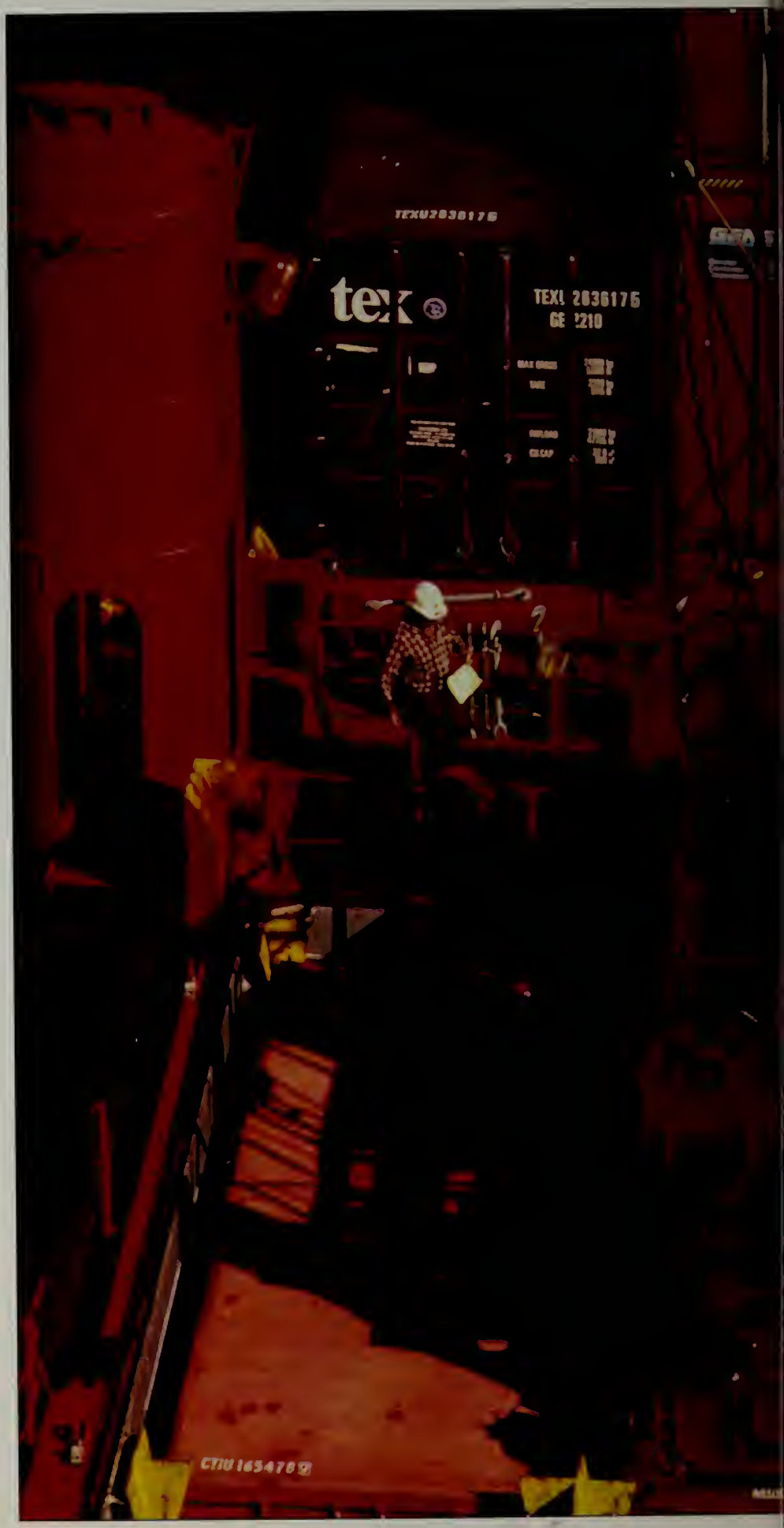
The Port's accounting department reports significant gain this year in decreasing accounts receivable and in setting up a cost accounting system. Accounts receivable decreased by $379,000, or 22%, to $1.3 million during the 1987/88 fiscal year. This was due to the continued enforcement of the Port's aggressive collection policy.

The conceptual design for a facility cost accounting system is in the final stages. When completed and implemented, the system will provide revenue and expense information by individual facility.

Cargo Operations

San Francisco became a stronger player in the Australia/New Zealand trade this year when two new shipping lines—Blue Star Line and ACT/PACE—shifted their Bay Area operations to San Francisco. Blue Star Line's West Coast service calls ports in New Zealand and several Pacific islands (Hawaii, American Samoa, Fiji and Tahiti), while ACT/PACE calls ports in Australia with occasional calls in Hawaii, Fiji and New Caledonia on the northbound voyages. They join two other lines that operate in the Australia/New Zealand trade route from San Francisco. Columbus Line, a long-time user of the Port of San Francisco, calls both New Zealand and Australia. Nedlloyd ships serve Western Australia. Although Blue Star Line and ACT/PACE did not move to San Francisco until near the end of the fiscal year, the additional tonnage resulted in an increase of one percent in the share of San Francisco's cargo that is carried in the Australia/New Zealand trade.

The transpacific route continues to dominate the trade through San Francisco. In fiscal year 1987/88 this trade route accounted for 66% of the general cargo, nearly the same as last year.

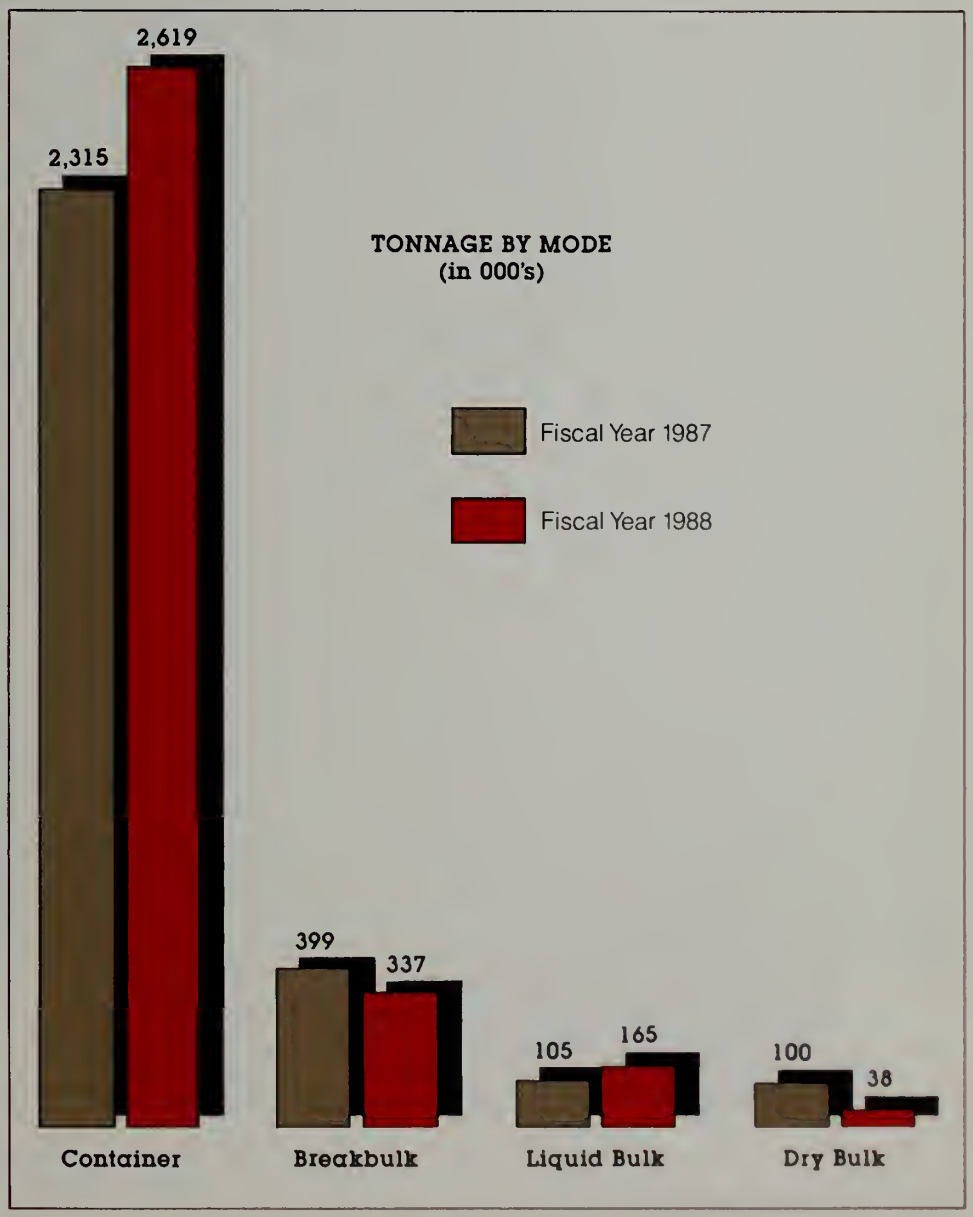


During 1987/88 fiscal year, 532 general cargo vessels and 31 bulk vessels called the Port of San Francisco. The Port handled a total of 3,159,000 metric revenue tons, an increase of 8% over the previous year. San Francisco now has a 17% market share of foreign cargo moving through the Bay Area, up from 15% in 1986/87.

Looking at the tonnage by mode, container tonnage continued to increase as breakbulk tonnage declined. A total of 123,490 TEUs were handled by the Port in 1987/88. Bulk cargoes which account for only 6% of the total tonnage of the Port averaged out to about the same as last year. However, this year it was the liquid bulk (tallow and coconut oil) that enjoyed an increase while dry bulk (fish meal and grains) declined.

Exports rose 12% this year, compared to 4% for imports, and constitute 53% of the Port of San Francisco's total trade. Leading exports were animal feed, cotton, waste paper, iron and steel scrap, fruit and nuts, and synthetic resin; while major imports were newsprint, coffee, autos, fishmeal and beverages.

A U.S. Customs Centralized Examination Station (CES) was established at the Port of San Francisco in August 1987. The new centralized inspection system was established by Customs to provide increased service with fewer inspectors. The Port facility, located in Shed D, North Container Terminal, was selected to be one of four Bay Area examination sites. By operating a CES on San Francisco's docks, the Port could provide an additional service for carriers that use Port of San Francisco terminals. This CES offers the easiest clearance of ocean cargo entering the Port of San Francisco. The facility is operated for the Port of San Francisco by Port Distribution Center.



By reaching higher and wider and digging deeper the Port continued enhancing its facilities to accommodate the latest generation of container ships. In May, testing was completed and certification issued on the two new post-panamax Hyundai/Paceco container cranes at North Container Terminal. The 100-gauge, 40-long-ton cranes have a clear lift height of 95 feet and an outreach of 130 feet. Recently these cranes operated at 47 moves per hour, a new record for the Port of San Francisco. The 1970's vintage "first generation" crane at North Terminal was sold in February. The 30-long-ton Paceco was the first container crane in operation at the Port of San Francisco.

Two container cranes at South Container Terminal are scheduled to be raised during the 1988/89 fiscal year which will give these cranes a clear lift above high water of 103 feet/6 inches.

Other facility improvements included the installation of pile supported crane rails for the new cranes and extensive repaving at North Terminal. Supplemental lighting was added at South Terminal.

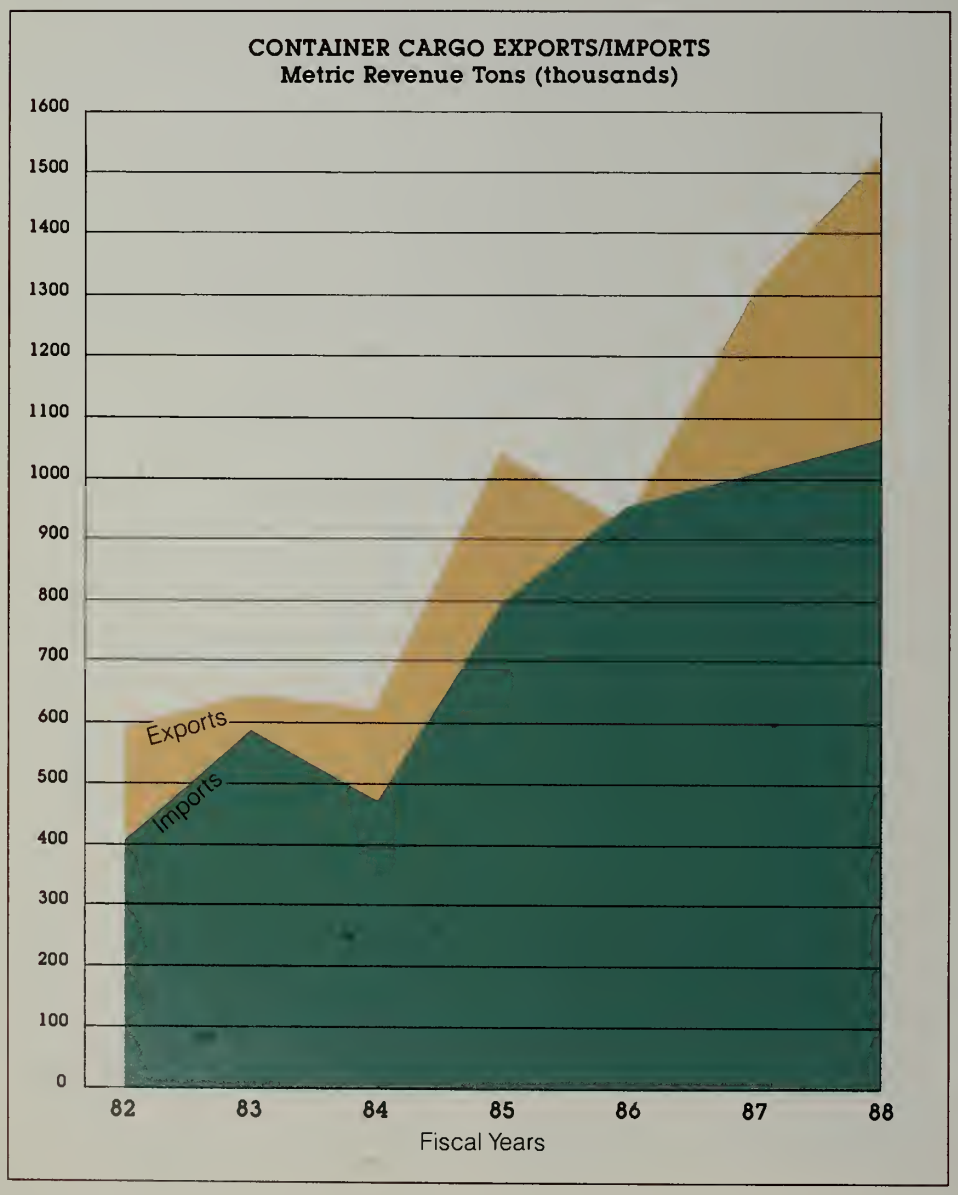
Two new access channels more nearly paralleling the natural tidal currents in the Bay were dredged to North and South Terminals. Dredged to a depth of 42 feet, the new channels can accommodate the largest container ships that enter the Bay and allow more maneuverability in docking under all tide and current conditions. San Francisco's access channels are currently the deepest general cargo channels in the Bay Area, yet only 700,000 cubic yards of bay mud needed to be removed. These two new access channels together with the two previously established channels allow ships broad docking flexibility. Additional navigational aids were installed to mark the new channels and their entrances.

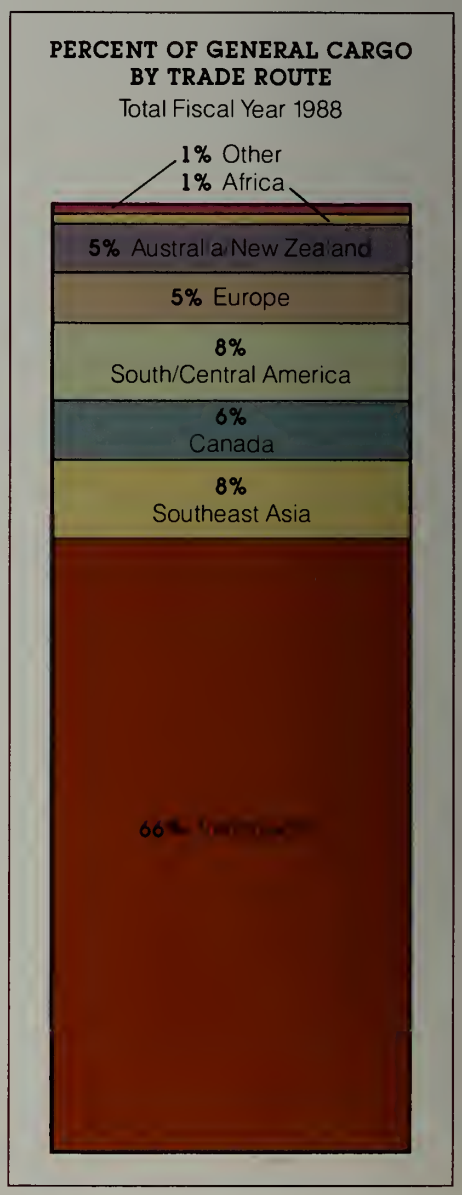
Further dredging is scheduled for the 1988/89 fiscal year following the approval of a $1.2 million dollar maintenance dredging program. Dredging will be conducted around the container terminals, passenger terminal and other piers.

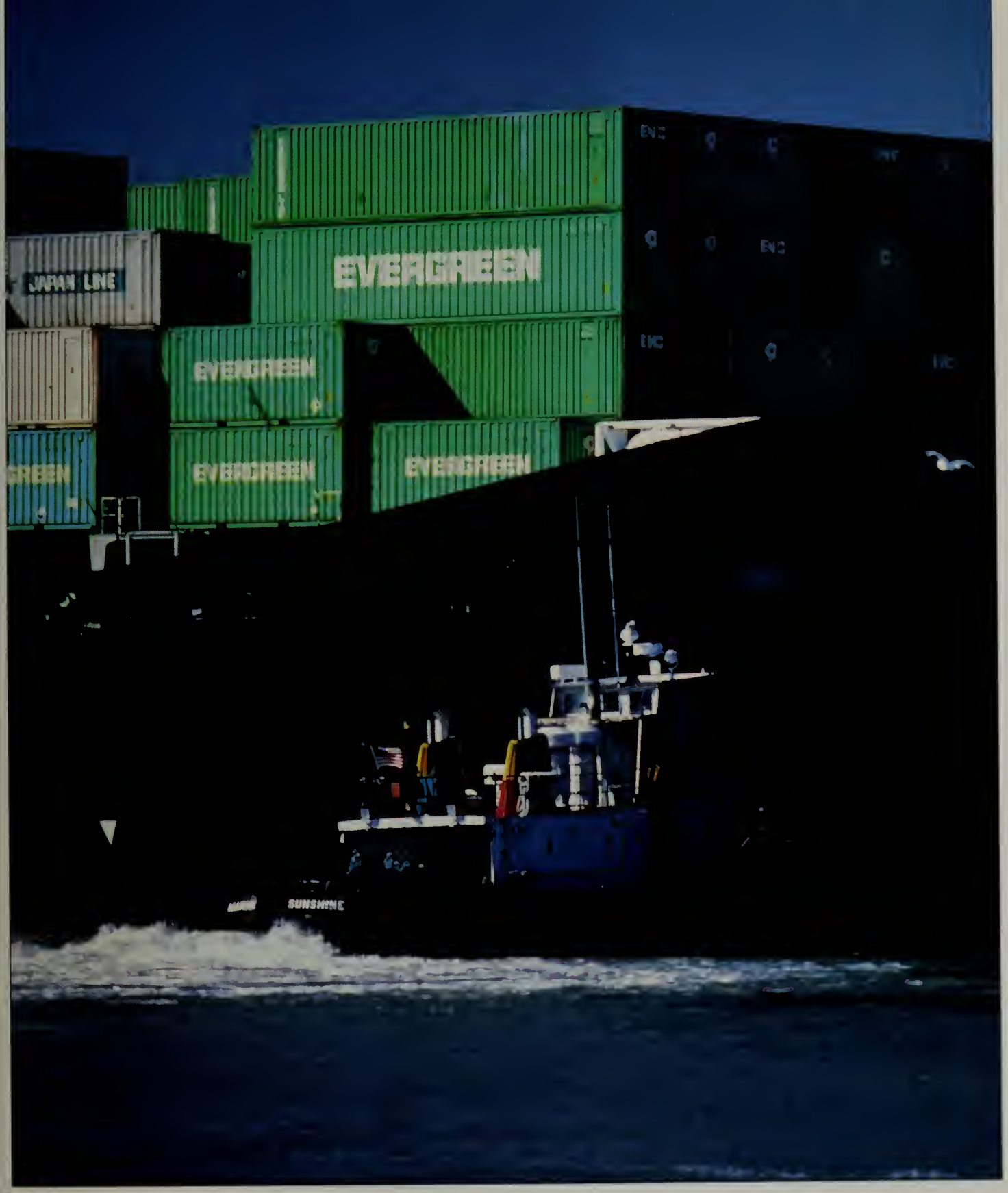
A new contract was negotiated with Foreign Trade Services to continue operating Foreign Trade Zone #3 for the Port. The Port and operator will be cooperating in marketing the zone.

A haycube transloading facility was established in San Francisco increasing the cargo base for California agricultural products. Hay cubes are the largest export cargo from Northern California to Japan. The facility doubled its size in its first year of operation.

At the close of the fiscal year, June 30, 1988, negotations were underway with two separate companies that would increase the trade opportunities for shipping lines using the Port of San Francisco. Since then, a lease has been signed with Parker Warehouse, the largest and oldest cotton ware-







house operator in the area, establishing a large-volume cotton warehouse at Pier 15/17.

In East Stockton, an agreement with Stockton Terminal and Eastern Railroad Company established an "inland Port annex" to serve as a nation-wide distribution center for imported goods as well as an export center for Northern California products. The annex consists of ample warehousing in an uncongested area with access to multiple freeway and rail systems.

One very important event straddling the fiscal years was the acquisition of Southern Pacific Railroad by the Denver, Rio Grande and Western Railroad. This action paves the way for a true partnership in intermodal activities with the "new" Southern Pacific Lines and the opportunity to move forward on a tunnel modification program that will give the Port of San Francisco double stack capabilities.

Cruise Operations

The Port of San Francisco last spring spearheaded formation of a Cruise Industry Task Force composed of representatives of the travel, tourist, and service industries; in fact anyone with an interest or stake in the future of San Francisco's cruise business was invited to participate. The Task Force was charged with examining the market and developing strategies to attract new cruise lines to San Francisco and to create a greater customer demand for San Francisco as a port-of-call.

Surveys of cruise passengers have shown that San Francisco is their favorite U.S. port—and their fourth favorite of all ports in the world. Then why should San Francisco need to market itself?

From 1980 the number of cruise ships calling San Francisco and the number of passengers coming through our passenger terminal had steadily increased—until last year. The initial decline was attributed to a comparison with the inflated 1986 figures when the Vancouver Expo and fears of terrorism in the Mediteranean brought more ships to the West Coast. However, the trend toward shorter cruises departing from ports closer to their destinations clearly has affected the number of ships and passengers coming to San Francisco. This year 45,000 passengers embarked or disembarked at San Francisco on 83 ship calls. This 38% decrease is attributed partly to the shift by Princess Cruises of its embarkation port for Alaska cruises from San Francisco to Vancouver. The Task Force is a unified regional effort to counter this trend and to expand San Francisco's cruise market.

The cruise industry directly contributes over $60 million annually to the local economy and over 600 jobs in the transportation, hotel, restaurant, retail and entertainment industries, according to a recent impact study. Each ship call generates $434,500 of direct local revenues ($1,373,020 of direct, indirect and induced revenues) for the City. Each passenger that embarks or disembarks at the Port of San Francisco creates a total economic impact of more than $1,800.

This year the newly built *Wind Song*, a 150-passnger, four-masted sailing ship, came to San Francisco before heading to French Polynesia for its regular cruises through the islands. This unique vessel combines the romance of sailing with the efficiency of modern technology. With California accounting for a large percentage of the world's total cruise passengers, cruise operators often choose San Francisco to introduce and promote new ships. During 1988/89, three cruiseships are being christened or re-christened in San Francisco.

Windstar Sail Cruises picked San Francisco to preview its new high tech sailing ship *Wind Song*.

Ship Repair Operations

Southwest Marine relocated its ship repair operation from Pier 28 to the former Todd Shipyard property adjacent to Pier 70, signing a 30-year lease on approximately 24 acres of the property. This gives Southwest Marine the use of two drydocks—a 21,000-ton and a 65,500-ton.

Through a settlement with Todd Shipyard for terminating its lease after closure of its San Francisco operation, the Port acquired ownership of the drydocks and cranes. This acquired property is included under "other revenues" in the financial statement.

In 1987/88 San Francisco's major ship repair facilities contributed $3 million to the Port's revenue. This is a 12% decrease from the previous year, the result of consolidation of the industry and the reduction of from four to three companies on the San Francisco waterfront.

PROJECTS IN PROGRESS

Fisherman's Wharf Seafood Center

The 1987/88 season was excellent for the Dungeness crab fishermen in San Francisco when the catch totaled 3.1 million pounds, the highest here since the 1959/60 season. Herring, which has a quota each year based on the estimated number of herring in the Bay, had a quota of 8,500 tons for 1987/88. Actual catch was 8,726 tons. While traditionally the most important seafood landed in San Francisco, these are not the only species caught here. The diversity of harvest has steadily increased and now includes large numbers of rockfish and sablefish. As a result of this activity and the rapidly growing public demand for more high quality seafood, expanded and improved facilities are needed.

In August 1987, the Port Commission adopted a conceptual development plan that would make Fisherman's Wharf one of the largest, most modern and most visible commercial fishing harbors in the United States. This plan grew out of the need for more efficient and up-to-date facilities for the commercial fish industry and was developed through a joint effort of the Port, fishing industry, business and resident groups. The plan calls for the construction of new commercial fishing berths at the foot of Hyde Street, for the development of new fish handling space on Pier 45, and for the addition of storage and support facilities at Hyde Street, Pier 45 and Fish Alley. Other facilities that could be included in the redeveloped Pier 45 are a farmer's market-style seafood retail operation, a flume tank to test fishing gear, and outlets for aquaculturists.

A consultant team was selected to design the first phase of the development. The team presented the final engineering designs for both the harbor and for the new or rehabilitated facilities together with an economic feasibility report on the project to the Commission in October 1988. Construction is expected to begin on the $22.8 million project in March 1990 and take about 16 months.

Northern Waterfront Redevelopment Survey

A planning study for the Northern Waterfront, an area that includes Fisherman's Wharf, Piers 33–35, Pier 39 and Municipal Pier, is being prepared under the joint direction of the Redevelopment Agency, Planning Department and the Port. The study will determine how best to develop or redevelop land and facilities in the study area.

Consultants, hired to assist in the study, made a preliminary report of proposed project preferences and design solutions to the Fisherman's Wharf Citizens Advisory Council January 18.

Intermodal Projects

The Port is currently negotiating an agreement with Southern Pacific for intermodal improvements to accommodate double stack trains. The rounded configuration and insufficient height of two tunnels on the San Francisco peninsula currently prevent the Port from offering double stack service. Under a tunnel modification program, the roadbed in the tunnels will be lowered adding the space needed to accommodate two 9′6″ containers; high, wide and heavy loads, and tri-level auto carriers.

In order to move the project along as quickly as possible, Southern Pacific will contract for the design of the tunnel modication at the same time the negotiations are going on. October 1989 is the target date for completion of the project.

Pier 7

Construction of the new public access and fishing pier may begin in 1989. A bid package has been prepared integrating the plans and specifications of the project consultants and those of the Port Engineering Staff. The project consists of building an 837-foot-long recreation pier in the vicinity of the existing Pier 7. (Both the existing Pier 7 and Pier 5 will be removed.) The pier will be well-lighted utilizing vintage-type street lamps and will be equipped with benches and fish cleaning tables. An ornamental iron handrail will completely encompass the pier. Funding for the project is by the Port, Recreation and Park Department, Wildlife Conservation Board and the California Coastal Conservancy.

The project will go out for bid in the spring of 1989. Cost, including the cost of demolishing the two piers, has been estimated at $6.5 million.

RACERS Project

The Port of San Francisco together with other members of the Golden Gate Ports Association is cooperating with U.S. Customs and the U.S. Maritime Administration in the RACERS study project. The study explores the advantages of regional port groups providing electronic ties with Customs, on a community basis, to shipping companies, exporters and brokers, as opposed to the individual set-ups that some larger shipping companies and brokers now have.

Piers 24–26

Following discussions with yachting and boating groups over the past year, a Request for Proposals for the development of an International Maritime and Yachting Center on Piers 24 and 26 was issued in early January, 1989. The Center would be designed to promote sailing and yachting as major businesses and recreational outlets, and to highlight the valuable cultural, sporting and educational resources that these industries and associated activities

provide San Francisco. Some of the uses that could be included are: yacht berthing, designing, sailmaking, sailing school, charters, tours, competitions, trade shows and exhibits, boat rental, and public programs and activities relating to boating.

A pre-proposal conference was held the end of January and the proposals are due April 17.

Cruise Industry Task Force

An aggressive marketing plan for attracting more cruise business to San Francisco was unveiled by the Task Force in September. Directed at travel agents, cruise operators and the traveling public, the program will raise San Francisco's "destination profile" at trade shows, in the offices of travel agents and in the media. Implementation of the program will begin in 1989.

Embarcadero Parkway and Transit Projects

The Final Report of the Embarcadero Urban Design Study was completed in December. The Design Study lays out plans for the Embarcadero Parkway, a beautification project which will provide a park-like right-of-way the length of the Embarcadero from King Street to Fisherman's Wharf. Included in these plans is a MUNI Metro turnaround for the Market Street subway along (or under) the Embarcadero, a light rail transit from Market Street south to the Mission Bay Project Area, and the F-Line historic streetcar system from Market Street to Fisherman's Wharf. The roadway and significant adjoining parcels are under the ownership and jurisdiction of the Port of San Francisco. However, a number of city agencies are participating in varying degrees—Department of Public Works, Public Utilities Commission, Redevelopment Agency, Department of City Planning, Arts Commission and Recreation and Parks Department. Port of San Francisco representatives serve on both the Management Oversight Committee and the Technical Advisory Committee.

A Draft Environmental Assessment for the roadway is scheduled for release next summer (1989) followed by public hearings in the fall. An Environmental Clearance is expected in early 1990, barring any significant environmental impacts. The granting of Environmental Clearance will allow roadway project construction to begin in the fall of 1991, with completion scheduled for mid-1993.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 1988 AND 1987

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Independent Auditors' Report

The Honorable John C. Farrell, Controller,
City and County of San Francisco:

We have audited the accompanying balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1988 and 1987, and the related statements of income and retained earnings, and changes in financial position for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1988 and 1987, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong
Morris, Davis & Company
September 26, 1988
San Francisco, California

Balance Sheet

June 30, 1988 and 1987
(In thousands)

Assets		1988	1987
Current assets:	Cash and investments, principally in City Treasury—Port operating fund	**$23,536**	$24,033
	Accounts receivable (less allowance for doubtful accounts: 1988—$307; 1987—$711)	**2,126**	2,129
	Accrued interest receivable	**871**	896
	Materials and supplies	**1,210**	982
	Prepaid insurance and other assets	**1,113**	1,550
	Total Current Assets	**28,856**	29,590
Restricted assets:	Cash and short-term investments:		
	Capital outlay	**17,981**	26,740
	Bond interest and redemption	**9,840**	9,768
	Lessee deposits held in trust	**1,340**	1,045
	Total Restricted Assets	**29,161**	37,553
Property, plant, and equipment—Net		**188,964**	180,650
Long-term receivable		**385**	346
	Total	**$247,366**	$248,139
Liabilities and Equity			
Current liabilities:	Accounts payable and accrued liabilities	**$4,309**	10,081
	Current maturities of bonded debt	**3,700**	3,635
	Accrued bond interest payable	**231**	253
	Total Current Liabilities	**8,240**	13,969
Payable from restricted assets:	Accrued bond interest payable	**2,548**	2,571
	Lessee deposits	**1,340**	1,045
	Total	**3,888**	3,616
Deferred revenue		**569**	8,948
Bonded debt—Less current maturities		**81,634**	85,232
	Total Liabilities	**94,331**	111,765
Equity:	Contributed capital	**15,208**	15,208
	Revaluation of property	**56,063**	56,063
	Retained earnings	**81,764**	65,103
	Total Equity	**153,035**	136,374
	Total	**$247,366**	$248,139

The accompanying notes are an integral part of this statement.

Statement of Income and Retained Earnings

Years ended June 30, 1988 and 1987
(In thousands)

		1988	1987
Operating revenues:	Property rentals—commercial	**$17,358**	$16,607
	Property rentals—maritime	**4,507**	4,929
	Wharfage, dockage, and demurrage	**6,264**	5,670
	Commercial power	**1,023**	923
	Other	**593**	1,328
	Total Operating Revenues	**29,745**	29,457
Operating expenses:	Operations	**10,239**	11,030
	Maintenance	**9,806**	10,472
	Depreciation	**3,829**	4,129
	Commercial power	**813**	733
	Fire boat operations	**904**	920
	Total Operating Expenses	**25,591**	27,284
Operating Income		**4,154**	2,173
Other income (Expense):	Lease termination revenue	**12,422**	
	Gain on sale of property, plant and equipment	**355**	
	Interest income	**2,863**	3,025
	Interest expense	**(3,133)**	(2,892)
	Total Other Income (Expense)	**12,507**	133
Net income		**16,661**	2,306
Retained earnings—	Beginning of year	**65,103**	62,797
Retained earnings—	End of year	**$81,764**	$65,103

The accompannying notes are an integral part of this statement.

Statement of Changes in Financial Position

Years ended June 30, 1988 and 1987
(In thousands)

		1988	1987
Sources of funds:	Operations:		
	Net Income	**$16,661**	$2,306
	Expenses not using working capital—depreciation and amortization	**3,932**	4,231
	Revenue not providing working capital—Recognition of deferred revenue	**(57)**	(335)
	Lease termination revenue	**(12,422)**	
	Gain on sale of property, plant and equipment	**(355)**	
	Total From Operations	**7,759**	6,202
	Lease termination—value of property received	**4,100**	
	Proceeds from sale of property, plant and equipment	**476**	
	Decrease in restricted assets	**8,392**	10,132
	Increase in liabilities payable from restricted assets	**272**	143
	Total	**20,999**	16,477
Uses of funds:	Acquisition of property, plant, and equipment	**12,265**	13,067
	Reduction of noncurrent bonded debt	**3,700**	3,635
	Additional long-term receivable	**39**	31
	Total	**16,004**	16,733
	Increase (Decrease) in working capital	**$ 4,995**	($ 256)
Working capital increase (decrease) by component:	Cash	**($ 497)**	$2,972
	Accounts receivable	**(3)**	(219)
	Accrued interest receivable	**(25)**	(755)
	Materials and supplies	**228**	71
	Prepaid insurance and other assets	**(437)**	23
	Accounts payable and accrued liabilities	**(5,772)**	(2,253)
	Current maturities of bonded debt	**(65)**	(115)
	Accrued bond interest payable	**22**	20
	Increase (Decrease) in working capital	**$ 4,995**	($ 256)

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant accounting policies

Organization: The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Materials and Supplies: Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out method).

Property, Plant and Equipment: Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of the lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18,000,000 are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such borrowings is capitalized from the date of borrowing through the construction period

Note 2. Cash and investments

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments

Notes to Financial Statements

(continued)

Note 2. Cash and investments (continued)

At June 30, 1988 and 1987, cash and investments held by trustees includes the following:

	1988	(In thousands) 1987
U.S. Agency Instruments	**$9,840**	$9,762
Certificates of Deposit		6
	$9,840	$9,768

The cost approximates market value and the investments generally mature within one year. U.S. Agency instruments are held by a broker or dealer, or by its trust department or agent, but not in the Port's name.

Note 3. Property, plant, and equipment

At June 30, 1988 and 1987, property, plant and equipment consisted of:

	1988	1987	Estimated Useful Life (Years)
	(In thousands)		
Land and land improvements	**$112,904**	$115,804	
Buildings, structures and related improvements	**144,732**	131,819	5–60
Equipment	**4,450**	4,759	5–40
Total	**262,086**	252,382	
Less accumulated depreciation	**(88,656)**	(85,319)	
Net	**173,430**	167,063	
Construction work in progress	**15,534**	13,587	
Total	**$188,964**	$180,650	

Total interest cost was $6,678,000 and $6,854,000 for fiscal years 1988 and 1987, of which $3,545,000 and $3,962,000 was capitalized, respectively. Total interest earned was $4,669,000 and $6,018,000 for fiscal years 1988 and 1987, of which $1,806,000 and $2,993,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $51,800,000 and $48,000,000 at June 30, 1988 and 1987, respectively.

Note 4. Deferred revenue:

In fiscal 1983 the Port had the opportunity to purchase land, drydocks and cranes for $14 million, under a right of first refusal option. In lieu of the acquisition, an agreement was made between the seller, the Port and a third party whereby the Port acquired the land for $1 subject to a thirty-year lease with the third party. In fiscal 1988, the Port and the tenant entered into a lease termination agreement. In consideration for the lease termination, the Port received the drydocks and cranes.

Of the $14,000,000 total property value received, $9,900,000 was recorded previously as deferred revenue, and was being recognized as rental revenue over the lease term. The balance of $4,100,000, together with the unamortized deferred revenue of $8,322,000, has been recognized as lease termination revenue in the accompanying statement of income and retained earnings in 1988.

Notes to Financial Statements
(continued)

Note 5. Bonded debt

At June 30, 1988 and 1987, bonded debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	**1988**	1987
			(In thousands)	
General Obligation Bonds:				
State of California:				
Third Seawall 1913	4.0	1989	**$105**	$240
Fifth Seawall 1958, Series B, F, G, and H	3.25–4.70	1999	**10,440**	12,075
City and County of San Francisco—Harbor Improvement 1971:				
Series A	4.5–5.25	2003	**12,000**	12,800
Series B	6.0–6.3	2005	**6,800**	7,200
Total General Obligation Bonds			**29,345**	32,315
Revenue Bonds:				
Series A 1969	7.0–7.2	1999	**8,600**	8,900
Series B 1971	5.25–5.5	2001	**6,525**	6,800
Series C 1984	9.5–11.5	2009	**42,410**	42,500
Total Revenue Bonds			**57,535**	58,200
Total Bonded Debt			**86,880**	90,515
Less:				
Current maturities			**3,700**	3,635
Unamortized discount—Revenue Bond Series C			**1,546**	1,648
Total Long-Term Bonded Debt			**$81,634**	$85,232

The bonds mature as follows:

Year Ending June 30 (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1989	$ 1,740	$ 1,200	$ 760	$ 3,700
1990	1,635	1,200	880	3,715
1991	1,060	1,200	1,065	3,325
1992	1,055	1,200	1,505	3,760
1993	1,055	1,200	1,595	3,850
Thereafter	4,000	12,800	51,730	68,530
Total	$10,545	$18,800	$57,535	$86,880

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

Note 6. Operating Revenues—Property rentals

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1988 and 1987, restricted capital outlay funds included unexpended fire insurance proceeds of $2,153,000 and $2,203,000, respectively.

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1988	(In thousands) 1987
Minimum rentals	**$17,660**	$17,766
Percentage rentals	**4,205**	3,770
	$21,865	$21,536

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30: (In thousands)	
1989	$ 7,948
1990	7,552
1991	7,420
1992	7,055
1993	6,167
Thereafter	178,042
Total	$214,184

The approximate cost of property subject to operating leases and property held for lease at June 30, 1988 consisted of:

Land and land improvements	$ 47,000
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $80,000)	56,000
Total	$103,000

Notes to Financial Statements

(continued)

Note 7. Employee benefit plans

Retirement Plan: The City has a defined benefit retirement plan (the Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). The Plan covers the majority of full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by: (a) contributions from the City which include contributions from the Port; (b) employee contributions; and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000. The City determines contributions due from each fund based on employer payroll. Pension costs relating to the Port were $1,310,000 and $1,190,000 for 1988 and 1987, respectively. The City met the actuarily determined contribution requirements for the years ended June 30, 1988 and 1987.

The latest actuarial valuation of the Retirement System was completed in February 1988 and was based upon employee data and asset information as of June 30, 1987. The significant economic assumptions used in this valuation were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6.5%, annual consumer price index increases of 5% and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1987 and includes substantially all City fund groups:

	(In Millions)
Pension benefit obligation	$4,244
Net assets available for benefits at cost (market value $3,327)	3,221
Unfunded pension benefit obligation	$1,023

The amount of assets and obligations for the Port employees is not separable from the total City plan. Detail of the total plan assets and obligations are reported in the City's Comprehensive Annual Financial Report.

Certain employees who commenced their employment at the Port prior to February 1969, participate in the State of California Public Employees Retirement System (PERS). Contributions to PERS totalled approximately $130,000 and $184,000 for 1988 and 1987, respectively.

Prior to 1987, the Port was obligated to annually contribute $169,000 until July 1, 1989 to PERS for settlement of an unfunded liability. In 1987, the Port suspended payments based on advice of the PERS' actuaries. The remaining unfunded liability, approximately $650,000, is expected to be eliminated as a result of actuarial gains.

Deferred Compensation Plan: The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits them to defer a portion of their salary until future years.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report.

Health Care Benefits—Retired Employees: The Port provides health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age Those benefits, and similar benefits for active employees, are provided through the City's Health Care System. The Port recognizes the cost of providing the benefits by expensing the annual insurance premiums, which were approximately $258,000 and $210,000 for the years ended June 30, 1988 and 1987, respectively. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees

Notes to Financial Statements

(continued)

Note 8. Related party transactions

The Port receives services from various City departments. The cost of these services, included as operating expenses in the financial statements, was approximately $2,700,000 in 1988 and $2,400,000 in 1987.

Included in accounts payable and accrued liabilities are amounts due to City departments of approximately $197,000 and $2,441,000 at June 30, 1988 and 1987, respectively.

Note 9. Commitments and contingent liabilities

The Port is presently planning various development projects which involve a commitment to expend significant capital funds. The Port had firm purchase commitments at June 30, 1988 for approximately $3,346,000 for construction, material and services.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

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W H A R F S I D E

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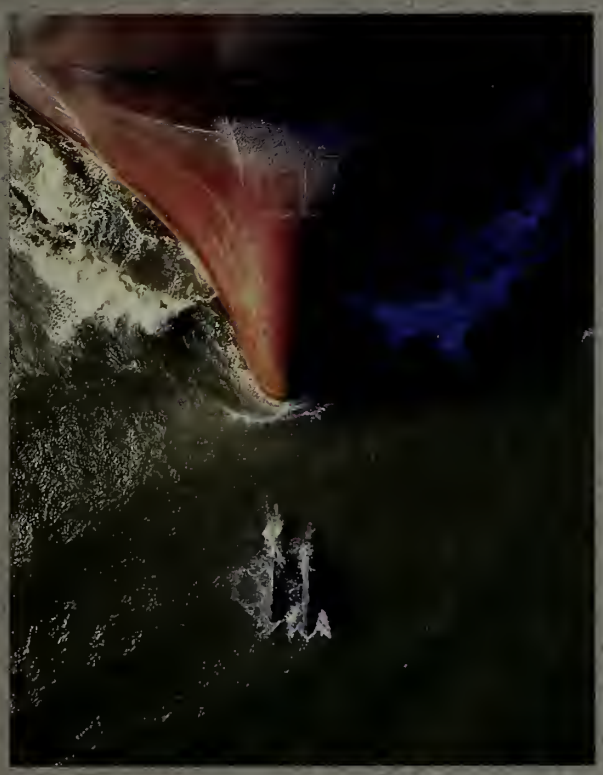

DOCUMENTS DEPT.
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1989 Annual Report

The Port Of

San Francisco

About 150 years ago, *the Gold Rush of California brought people from all over the world to our shores and established San Francisco as a premiere seaport. As we enter the decade of the 1990s, San Francisco emerges as the centerpiece of the fourth largest metropolitan area in the country, maintaining our role as a crucial gateway to America, the Far East, and the rest of the world.*

The Port of San Francisco is 127 years old. *It continues to protect seven and a half miles of the world's most desirable waterfront, furthering its mandate to promote "commerce, navigation and fisheries," and encouraging public access and waterfront recreation—all the while maintaining its self-sustaining status with no dependence on local tax monies.*

1989. *The Port of San Francisco kept pace with the global marketplace by instituting intermodal improvements for efficient handling of international cargo. Gate and terminal improvements were made at the Port's North and South Container facilities. Plans to provide double-stack rail access direct to America's heartland are well underway. The Port welcomed two new shipping lines, bringing the total number of lines calling at the Port of San Francisco to twenty-six.*

PORT OF
SAN FRANCISCO
EVERGREEN

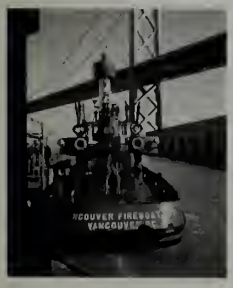
The Fisherman's Wharf Seafood Center, *designed to create a whole new harbor for commercial fishing fleets with a seafood institute and fish processing center, obtained significant funding from State agencies. A new passenger ferry terminal was built overnight to accommodate the six-fold increase in ferry traffic resulting from the October earthquake closure of the Bay Bridge.*

Oct. 17, 1989: The Worst Brings Out The Best.

Two old pier sites*—Pier 7 and Piers 24 and 26—began their transformation from condemned, obsolete structures to vital and open public access resources. The Port began a long-term Strategic Plan with a statement of mission, goals and objectives due in early 1990. Also instituted were a cost-accounting system (revenue and expenditures by facility), capital plan (priority and funding list of capital improvement and facilities maintenance projects) and deferred maintenance schedule.*

1989 will be remembered for the second worst earthquake in California's history. *Without question, the quake resulted in millions in unforeseen costs but despite the obstacles, the Port was able to meet its local and global mandate.*

1989 was a truly vital year. *We begin the new decade with a standing commitment to provide all Port users with dedicated service.*



The Port welcomed its second fire boat after the first fire boat dramatically proved its worth during the October earthquake.

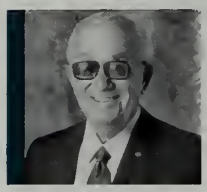
Commission President's Report: Anne Halsted.

Anne W. Halsted
President

At the conclusion of 1989, the Port of San Francisco finds itself with the foundation in place for improvement, growth and development of its facilities in the future.

Significantly for our maritime business, our progress towards rebuilding local railroad tunnels to accommodate double stacked containers is substantial. This major improvement in service capacity will greatly enhance our value to our customers. Another milestone accomplished during 1989 was the general agreement reached with the Mission Bay Project to swap land at China Basin for land adjacent to Pier 80, thus creating much enlarged space for future development of our maritime terminals.

Another major step taken towards a stronger future was the commissioning of our strategic plan, a project which we believe will bring the Port's role and objectives into focus for the 21st century. That project should be completed in the first half of 1990 and serve as the basis for planning the right balance of investment of resources in the future.



James R. Herman
Vice-President

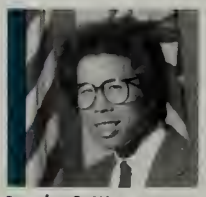
1989 was filled with all the regular business activities which one would normally expect and more. The Port joined Mayor Art Agnos and Mayor Tom McEnery of San Jose on a very fruitful economic development mission to Asia, promoting the regional benefits of the Bay Area. In other regional efforts, we joined the Port of Oakland in working towards resolution of the dredging issue.

The earthquake of October 17, 1989, took a severe toll on Port facilities, particularly those at Pier 45 used for commercial fish processing. We are hopeful that the damages will be corrected soon. The opportunity created by the earthquake was the need for greatly enhanced ferry service—a feat that was put together by Port staff working with the ferry operators and Caltrans with incredible speed and efficiency.

Dr. Arthur H. Coleman

I must give credit for the accomplishments of 1989 to Michael Huerta, who started with us in January. His leadership, as well as that of all the staff, is making the difference which will give the Port of San Francisco greater strength in the years to come.

James Bauskas



Douglas F. Wang

Michael P. Huerta
Executive Director

1989 will definitely go down in history as one of the truly remarkable years in modern times. In country after country, we saw dramatic political and economic changes. Few people thought the Berlin Wall would be effectively eliminated in their lifetime, but within a few short days and weeks, it was but a distant memory.

The changes in Europe are a signal to all of us involved in trade that the 1990s will see different trading relationships develop. Until recently, Europe was seen as a relatively mature market where U.S. trade was concerned. However, the vast potential market in the Soviet Union and Eastern Europe now holds out the prospect of a new round of trade growth. If we can use the opening of the new McDonald's Restaurant in Moscow as a barometer, we can see that the potential is enormous.

We in California have tended to focus our attention on the Far East rather than Europe. Now is a good time to think of looking the other way. This is not to say that we should abandon our well–developed relationships with Asia. Instead, we should begin to adapt a truly global perspective.

Closer to home, we saw our own share of upheaval of a more down to earth, or earth related, variety. The earthquake of October 17 was clearly the big story of the year. One cannot understate the tragedy of it, but San Franciscans and everyone in the Bay Area showed the world that we can adapt and move on.

The next decade will be an exciting time. We expect to see tonnage through the Port increase dramatically. We will make major new investments in our marine terminals to keep them in line with the latest technology.

We also expect to start construction this year of our long awaited Seafood Center project at Fisherman's Wharf. Our new public access pier is taking shape at Pier 7. We have started negotiating a development memorandum for Piers 24 and 26. The sailing center to be constructed there will open up a stretch of waterfront that has long been closed off.

Executive Staff:
Michael Janis, Lydia O'Skea,
Elizabeth Day, Michael Huerta

Consistent with the Port's global perspective, during the past year we've also looked across the San Francisco Bay to strengthen our working relationship with all other ports in the region. We all share the same universe of issues and problems. Meetings were held between our Commissioners and staffs to explore matters of common interest.

I appreciate the support you in our community have shown for the Port over the last year. And I enjoyed getting to know you and hearing your concerns about the waterfront. I look forward to the 1990s as a time when we can all work together toward making the Port more responsive to all of our needs.

Michael Janis
Executive Assistant

"As the 1990 President of the Port Commission, I look forward to the challenge of meeting the needs of the multiple industries dependent on the port – especially the cargo handling and cruise industry."
-Commissioner James R. Herman

94 - 96

80

ICTF
Intermodal Container Transfer Facility

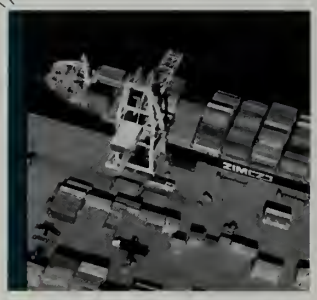
70

54

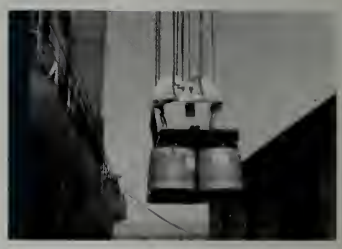
Auto Terminal
Pier 70

48

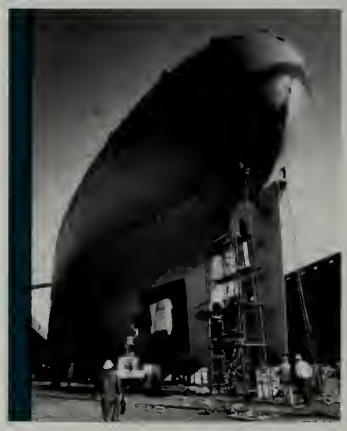
50



North & South Container Terminals
Piers 80 & 94-96



Newsprint Terminal
Piers 27, 29 & 48



Ship Repair
Piers 50, 54, 38 & 40

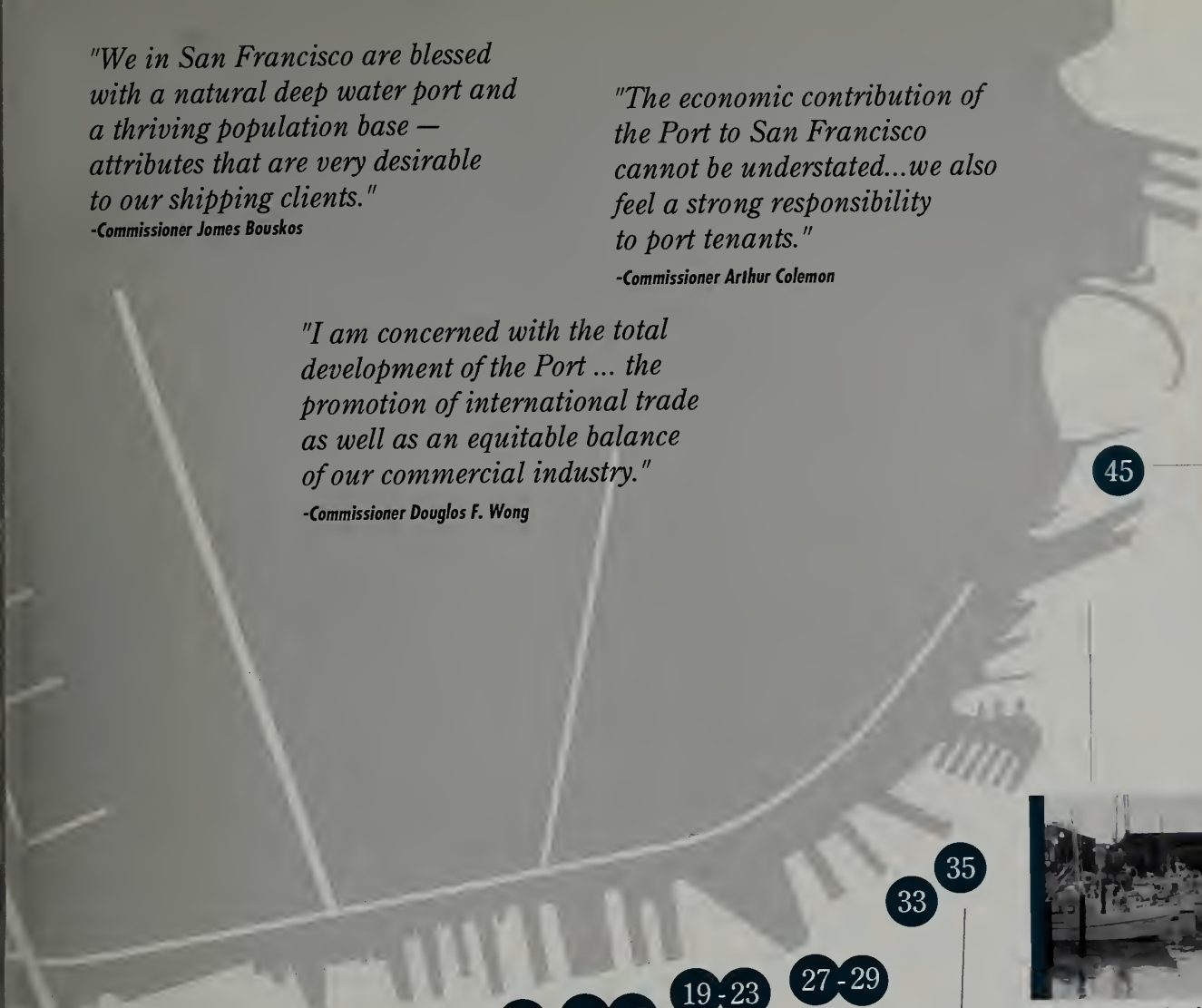
The Port of San Francisco's

Diverse Water Front.

"We in San Francisco are blessed with a natural deep water port and a thriving population base — attributes that are very desirable to our shipping clients."
-Commissioner James Bouskos

"The economic contribution of the Port to San Francisco cannot be understated...we also feel a strong responsibility to port tenants."
-Commissioner Arthur Coleman

"I am concerned with the total development of the Port ... the promotion of international trade as well as an equitable balance of our commercial industry."
-Commissioner Douglas F. Wong

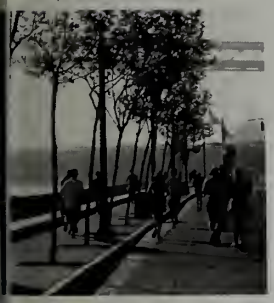


Fish Handling Pier 45

Fisherman's Wharf

Foreign Trade Zone Piers 19-23

Cruise Terminal Pier 35



blic Access aterfront Promenade er 7 & 24/26

Cotton Warehouse Piers 15-17

Port Headquarters Ferry Terminal

Financial Highlights.

n fiscal year 1988/89, the Port of San Francisco's operating revenues were $30,532,000, resulting in a slight increase over 1987/88. This, together with a slight decrease in expenses, gave the Port an operating income of $5,161,000, an increase of $1,007,000 over 1987/88. Usually net income is the figure used to compare the current year with the previous years and to assess how the Port fared. However, in 1987/88, net income included property assets acquired by the Todd Shipyard lease termination. Given this unusual event, operating income gives a clearer picture of available income and provides a more valid basis for comparison.

A significant point to note is this year's net income figure of $2,995,000 included $888,000 of "Other Expense" which was the Port's share of a 1989 settlement on a suit against the City and County of San Francisco for salary rate adjustments. As a result of the settlement, the Port will make retroactive salary payments of $888,000 to those employees affected over a two year period.

Of the Port's approximately $30.5 million in operating revenues, over 60 percent ($18,836,000) were derived from property and commercial ventures. Maritime operations contributed 35 percent ($10,799,000) to the Port's operating revenues.

1989 also saw the development of the Facility Cost Accounting System (FCAS) which documents actual revenues and expenses according to facility. This information will assist Port Commissioners and staff in decisions affecting maximization of profits and allocation of resources. The user analysis and conceptual design phases of FCAS have been completed with direct and indirect revenues subsystems implemented in July 1989, and direct expenditures input as of October 1989. The Port relied almost entirely on its own staff to develop and install the Facility Cost Accounting System.

Cargo Operations.

Transpacific trade was again preeminent in the Port's cargo mix, with Far East and Southeast Asian services providing fully two thirds of the general cargo. As a result of service realignment by key shipping lines, particularly the discontinuation of Japan Line's Pacific operations, tonnage in the Asian trades declined 13 percent. On the positive side, container tonnage by China Ocean Shipping tripled over the previous year and expected continued growth by Evergreen, the Port's largest client, promises to restore this trade to its full strength and beyond during the current fiscal year. Despite the Port's first Transpacific decline in well over a decade, total general cargo and total container cargo dropped by only 1 percent, owing to impressive increases in other trades.

Cargo Operations.

San Francisco remained the premiere coffee port of the Western United States.
Two new lines, Norsul and Ciamar, selected San Francisco as their Northern California port-of-call during the year. Central and South American cargo grew 37 percent in San Francisco resulting in the Port capturing a dominant 74 percent share of the Bay Area's Latin American cargoes.

Unprecedented gains were also registered in the Australia/New Zealand trade route. Columbus and Nedlloyd sustained impressive cargo growth while ACT-Pace and Blue Star Line completed their first full year of operation at the Port. As a result, San Francisco's share of the Bay Area's Australia/New Zealand market leaped from 19 to 36 percent.

Total tonnage in FY 88/89, including containers, breakbulk and bulk cargo, again exceeded 3.1 million tons—a level attained the prior fiscal year for the first time since the early 1970s.

Container Terminal Improvements.

The Port is nearing completion of major infrastructure improvements for both our North and South Container Terminals.

Gate improvements—expansion of entry lanes from three to eight, expansion of exit lanes from two to four, and electronically served clerking booth for every two lanes—will elevate the Port of San Francisco system to one of the West Coast's most automated and efficient.

Vehicles will be identified upon arrival through television cameras and intercom, saving truck drivers time and effort. Pre-entered data will automatically be processed via central computer with all necessary paperwork printed in the clerk's booth. This central computer will be connected with shipping companies to speed information processing.

In addition, all above ground utilities at the South Container Terminal have been removed and placed underground for smoother traffic flow.

The South Container Terminal was further strengthened with the placement of a gabion wall which replaced some fill material that was washed into the Bay. The "leaching" of the fill material from the landfill portion of the pier resulted in voids underneath and holes in the above pavement. The new gabion wall provides a secure foundation for the heavy container loads above ground.

Tunnel Modification Project.

The Port of San Francisco, which built California's first on-dock Intermodal Container Transfer Facility in 1986, is concluding negotiations with Southern Pacific Transportation Company to modify two old rail tunnels in San Francisco for clearance of double-stack high cube containers. Upon construction completion, the multi-million capital improvement project will provide unrestricted cargo access, from ship direct to rail and straight from the Port on a single line haul through America's central rail corridor.

Over half of today's West Coast cargo pool is destined for, or originates from, the larger markets east of the Rockies. The recent merger of the Southern Pacific Railway with Denver & Rio Grande Western created a unified and competitive rail system that better links Northern California – the strongest export oriented economy and home to the fourth largest metropolitan area in the country – with the vital Midwest "bread basket." Completion of the tunnel modification project—one of the last pieces needed in the Port's modern intermodal infrastructure—levels the playing field for competition against the Pacific Northwest and Southern California ports for the burgeoning intermodal market.

Cruise Industry.

The formation in the prior year of a Cruise Industry Task Force yielded a marketing plan to increase passenger shipping demand for San Francisco. In 1989, the Port worked with cruise ship operators towards developing terminal and infrastructure support facilities needed to meet the City's current and future cruise requirements. A study was completed and will shortly be released on the adequacy of Pier 35, the present Passenger Terminal in the Fisherman's Wharf area and other possible locations.

In the past year, San Francisco played host to the christening of two of the most luxurious passenger vessels in the water—the Royal Viking Sun and Seabourn Pride. In addition, Princess Cruise Line homeported their newest "Loveboat", the M.V. Star Princess, in San Francisco for popular Alaskan itineraries. The first Japanese cruise ship to ply West Coast waters in many years called San Francisco Bay in 1989 when Mitsui OSK Lines M.V. Fuji Maru arrived for an extended stay at Pier 35.

San Francisco's position as the "Golden Gateway to a Grand Cruise" will be reaffirmed this summer when Crystal Cruise Line, owned by Japanese shipping giant Nippon Yusen Kaisha, homeports its M.V. Crystal Harmony in San Francisco for Alaskan tours.

Pier 7: Public Access And Fishing Pier.

The second oldest structure on San Francisco's waterfront was given a new lease on life in 1989 when construction began for a public access and fishing pier at Pier 7. A groundbreaking ceremony—led by San Francisco Mayor Art Agnos and attended by Port Commissioners, Recreation and Park officials, and state and local dignitaries—launched the construction of the $6.5 million recreation pier that's expected to open by the fall of 1990.

The new pier will have timber plank decking, ornamental iron handrails, benches, small balconies and old-style Embarcadero light fixtures. Upon completion, Pier 7 will be the longest pier extending into the Bay and boast one of the most remarkable views of San Francisco's skyline.

Pier 24-26: The San Francisco Sailing Center.

What began in January 1989 as a Request For Proposals by the Port for an "International Maritime and Yachting Center", culminated in the selection of the Koll and Bressie Companies for a San Francisco Sailing Center, an expanded yacht harbor with strong sailing program supported by a 170-room hotel. A Development Memorandum is under negotiation that will chart the regulatory and environmental process, and detail the design and financial arrangements. By removing an obsolete pier site and replacing it with a vital, world-class sailing center, the Port will provide San Franciscans with an exciting public access resource for future generations to enjoy.

Fisherman's Wharf Seafood Center.

A major legislative effort was launched in 1989 when San Francisco Mayor Art Agnos and Executive Director Michael Huerta hosted a "Fisherman's Wharf" style luncheon with key legislators in an effort to revitalize the state's commercial fishing harbors. The focus of our legislative initiative was to secure funding for San Francisco's Seafood Center, a $23 million project that includes construction of new fishing berths and a state-of-the-art fish handling, processing and research center. Through the efforts of California Assembly Speaker Willie Brown, Assemblyman John Burton and Senator Milton Marks, the Port received a $300,000 grant from California State Coastal Conservancy Funds for construction of fishing berths, and received approval from the California Department of Boating and Waterways for a $3 million loan. The environmental review process is under way and approval is expected in early 1990.

The earthquake of October 17, 1989 caused over $12 million in damage to the fish handling facilities at Pier 45, and the Port successfully relocated impacted fishermen. Sensing the need to quickly restore full fishing operations, the Port accelerated its design and construction schedule for structural repairs to Pier 45.

Passenger Ferry Service.

The October earthquake, which resulted in the temporary closure of the Bay Bridge, forced commuters to find alternative transportation. The Port of San Francisco immediately took steps to create ferry terminals to accommodate the emergency ferry service that linked the entire Bay Area. A major ferry terminal was erected overnight at Pier 1 and included passenger queing areas, lights and signs, ticket booths, public phones and portable restrooms. Ferry ridership increased six-fold following the earthquake.

Environmental Safety.

The Environmental Safety Group had a busy year keeping the Port free from potential toxic and hazardous waste problems and complying with new environmental and safety regulations. Major projects include environmental assessment of three old, inactive dumpsites that encroached into the Bay; removal of a leaking underground tank with cleanup program; development of a Material Safety Data Sheet–a computer program to track every material with toxic ingredients on Port property; training for all Port employees exposed to asbestos materials; and sampling of dredged mud to determine proper disposal. An on-going hazardous waste program is maintained to safely collect and store used products and toxic materials abandoned on Port properties.

Credits.

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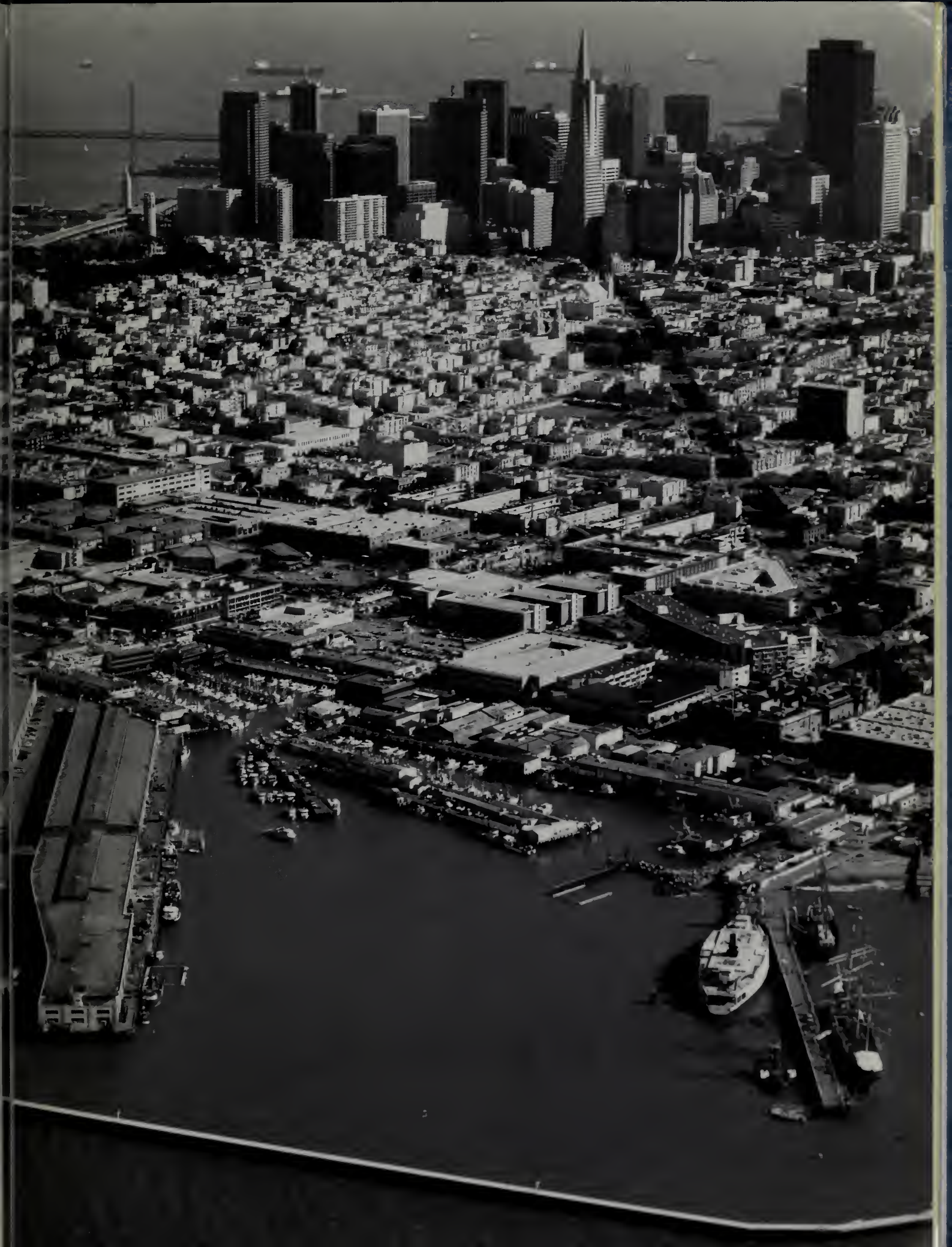

Independent Auditors' Report.

The Honorable Samuel D. Yockey, Controller,
City and County of San Francisco

We have audited the accompanying balance sheet of the ***PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO*** ("Port") as of June 30, 1989 and 1988, and the related statements of income, equity, and changes in financial position for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1989 and 1988, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong
Morris–Davis & Company
Certified Public Accountants

September 28, 1989

Balance Sheet

June 30, 1989 and 1988 (In thousands)

Assets	1989	1988
Current Assets		
Cash and investments, principally in City Treasury – Port operating fund	$26,236	$23,536
Accounts receivable (less allowance for doubtful accounts: 1989 - $181; 1988 - $307)	2,514	2,126
Accrued interest receivable	875	871
Materials and supplies	1,310	1,210
Prepaid insurance and other assets	1,065	1,113
Total Current Assets	**32,000**	**28,856**
Restricted Assets		
Cash and short-term investments:		
Capital outlay	16,558	17,981
Bond interest and redemption	9,934	9,840
Lessee deposits held in trust	1,387	1,340
Total Restricted Assets	**27,879**	**29,161**
Property, Plant, and Equipment - Net	187,349	188,964
Long Term Receivable	436	385
Total Assets	**$247,664**	**$247,366**

Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$1,919	$2,463
Accrued payroll and related costs	2,829	1,846
Current maturities of bonded debt	3,715	3,700
Accrued bond interest payable	214	231
Total Current Liabilities	**8,677**	**8,240**
Payable From Restricted Assets:		
Accrued bond interest payable	2,522	2,548
Lessee deposits	1,387	1,340
Total Payable From Restricted Assets	**3,909**	**3,888**
Deferred Revenue	442	569
Bonded Debt - Less current maturities	78,021	81,634
Total Liabilities	**$91,049**	**$94,331**
Equity		
Contributed capital	15,793	15,208
Revaluation of property	56,063	56,063
Retained earnings	84,759	81,764
Total Equity	**156,615**	**153,035**
Total Liabilities and Equity	**$247,664**	**$247,366**

The accompanying notes are an integral part of this statement.

Statement Of Income

Years Ended June 30, 1989 and 1988 (In thousands)

Income	1989	1988
Operating Revenues:		
Property rentals - commercial	$17,980	$17,358
Property rentals - maritime	4,372	4,507
Wharfage, dockage, and demurrage	6,427	6,264
Commercial power	856	1,023
Other	897	593
Total Operating Revenues	**30,532**	**29,745**
Operating Expenses		
Operations	9,538	10,239
Maintenance	9,662	9,806
Depreciation	4,530	3,829
Commercial power	644	813
Fire boat operations	997	904
Total Operating Expenses	**25,371**	**25,591**
Operating Income	**5,161**	**4,154**
Other Income (Expense)		
Lease termination revenue		12,422
Litigation settlement	(888)	
Gain on sale of property, plant and equipment	29	355
Interest income	2,983	2,863
Interest expense	(4,290)	(3,133)
Total Other Income (Expense)	**(2,166)**	**12,507**
Net Income	**$2,995**	**$16,661**

Statement Of Equity

Years Ended June 30, 1989 and 1988 (In thousands)

Equity	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
Balances as of July 1, 1987	$15,208	$56,063	$65,103	$136,374
Net income for the year ended June 30, 1988			16,661	16,661
Balances as of June 30, 1988	15,208	56,063	81,764	153,035
Capital Grants	585			585
Net income for the year ended June 30, 1989			2,995	2,995
Balances as of June 30, 1989	**$15,793**	**$56,063**	**$84,759**	**$156,615**

The accompanying notes are an integral part of these statements.

Statement Of Changes In Financial Position

Years Ended June 30, 1989 and 1988 (In thousands)

Funds	1989	1988
Sources Of Funds		
Operations:		
Net Income	$2,995	$16,661
Expenses not using working capital:		
Depreciation and amortization	4,632	3,932
Revenue not providing working capital:		
Recognition of deferred revenue	(127)	(57)
Lease termination revenue		(12,422)
Gain on sale of property, plant and equipment	(29)	(355)
Total From Operations	**7,471**	**7,759**
Lease termination - value of property received		4,100
Proceeds from sale of property, plant and equipment	135	476
Decrease in restricted assets	1,282	8,392
Increase in liabilities payable from restricted assets	21	272
Capital grants received	585	
Total Sources Of Funds	**9,494**	**20,999**
Uses Of Funds		
Acquisition of property, plant and equipment	3,021	12,265
Payments and current maturities of bonded debt	3,715	3,700
Additional long-term receivable	51	39
Total Uses Of Funds	**6,787**	**16,004**
Increase In Working Capital	**$2,707**	**$4,995**
Working Capital Increase (Decrease) By Component		
Cash	$2,700	$(497)
Accounts receivable	388	(3)
Accrued interest receivable	4	(25)
Materials and supplies	100	228
Prepaid insurance and other assets	(48)	(437)
Accounts payable and accrued liabilities	544	5,922
Accrued payroll and related costs	(983)	(150)
Current maturities of bonded debt	(15)	(65)
Accrued bond interest payable	17	22
Increase In Working Capital	**$2,707**	**$4,995**

The accompanying notes are an integral part of this statement.

Note 1 - Significant Accounting Policies

Organization

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Materials and Supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Property, Plant and Equipment

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of the lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such borrowings is capitalized from the date of borrowing through the construction period.

Note 2 - Cash And Investments

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial

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Continued from previous page

Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1989 and 1988, cash and investments held by trustees include $9,934,000 and $9,840,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1989 and 1988, lessee deposits held in trust include $536,000 and $461,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

Note 3 - Property, Plant, and Equipment

At June 30, 1989 and 1988, property, plant and equipment consisted of:

	1989	1988	Estimated Useful life (Years)
	(In thousands)		
Land and land improvements	$112,904	$112,904	
Buildings, structures and related improvements	158,797	144,732	5 - 55
Equipment	3,963	4,450	5 - 40
Total	***275,664***	***262,086***	
Less accumulated depreciation	(92,344)	(88,656)	
Net	***183,320***	***173,430***	
Construction work in progress	4,029	15,534	
Total	***$187,349***	***$188,964***	

Total interest cost was $6,503,000 and $6,678,000 for fiscal years 1989 and 1988, of which $2,213,000 and $3,545,000 was capitalized, respectively. Total interest earned was $4,598,000 and $4,669,000 for fiscal years 1989 and 1988, of which $1,615,000 and $1,806,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $52,900,000 and $51,800,000 at June 30, 1989 and 1988, respectively.

Note 4 - Bonded Debt

At June 30, 1989 and 1988, banded debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1989	Balance 1988
			(In thousands)	
General Obligation Bands				
State of California:				
Third Seawall 1913	4.0	1989		$105
Fifth Seawall 1958, Series B, F, G, and H	1.00 - 4.85	1999	$8,805	10,440
City and County of San Francisco - Harbor Improvement 1971:				
Series A	4.5 - 5.25	2003	11,200	12,000
Series B	6.0 - 6.3	2005	6,400	6,800
Total General Obligation Bands			***26,405***	***29,345***

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Revenue Bonds

(Continued from page 22)

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1989	Balance 1988
			(In thousands)	
Series A 1969	7.0 - 7.2	1999	$8,200	$8,600
Series B 1971	5.5	2001	6,250	6,525
Series C 1984	9.5 - 11.5	2009	42,325	42,410
Total Revenue Bonds			**56,775**	**57,535**
Total Bonded Debt			**83,180**	**86,880**
Less:				
Current maturities			3,715	3,700
Unamortized discount -Revenue Bond Series C			1,444	1,546
Total Long-Term Bonded Debt			**$78,021**	**$81,634**

The bonds mature as follows

Year ending June 30 (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1990	$1,635	$1,200	$880	$3,715
1991	1,060	1,200	1,065	3,325
1992	1,055	1,200	1,505	3,760
1993	1,055	1,200	1,595	3,850
1994	1,055	1,200	1,755	4,010
Thereafter	2,945	11,600	49,975	64,520
Total	**$8,805**	**$17,600**	**$56,775**	**$83,180**

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1989 and 1988, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000 and $2,153,000, respectively.

Note 5 - Operating Revenues - Property Rentals

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1989	1988
	(In thousands)	
Minimum rentals	$18,114	$17,660
Percentage rentals	4,238	4,205
Total	**$22,352**	**$21,865**

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30 (In thousands)	
1990	$8,630
1991	8,388
1992	8,131
1993	7,236
1994	6,875
Thereafter	181,447
Total	**$220,707**

The approximate cost of property subject to operating leases and property held for lease at June 30, 1989 consisted of:

Land and land improvements	$47,000
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $80,000)	59,000
Total	**$106,000**

Note 6 - Lease Termination Revenue

In fiscal 1983 the Port had the opportunity to purchase land, drydocks and cranes for $14 million, under a right of first refusal option. In lieu of the acquisition, an agreement was made between the seller, the Port and a third party whereby the Port acquired the land for $1 subject to a thirty-year lease with the third party. In fiscal 1988, the Port and the tenant entered into a lease termination agreement. In consideration for the lease termination, the Port received the drydocks and cranes.

Of the $14,000,000 total property value received, $9,900,000 was recorded previously as deferred revenue, and was being recognized as rental revenue over the lease term. The balance of $4,100,000, together with the unamortized deferred revenue of $8,322,000, has been recognized as lease termination revenue in the accompanying statement of income in 1988.

Note 7 - Employee Benefit Plans

Retirement Plans:
City and County of San Francisco

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers the majority of all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions, and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000.

The latest actuarial valuation of the Retirement System was completed on January 31, 1989 by the actuarial firm of Milliman & Robertson, Inc. and was based upon employee data and asset information as of June 30, 1988. The significant economic assumptions used in the valuation as of June 30, 1988 were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6.5%, annual consumer price index increases of 5%, and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1988 and includes substantially all City fund groups:

	(In millions)
Pension benefit obligation	***$ 4,429***
Net assets available for benefits at cost (market value $3,327)	***3,221***
Unfunded pension benefit obligation	***$1,208***

The City met the actuarially determined contribution requirements for the years ended June 30, 1989 and 1988. Pension costs relating to the Port were $1,311,000 and $1,310,000 for 1989 and 1988, respectively.

State of California

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the Board of Administration.

Note 7 - Employee Benefit Plans (Continued)

Retirement Plan (continued)
State of California

The Port's contributions to PERS totalled approximately $51,000 and $130,000 for 1989 and 1988, respectively. The City's Office of the Controller Combined Financial Statements contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $140,000 and $129,000 for 1989 and 1988, respectively.

Health Care Benefits - Retired Employees

The Port provides health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age. Those benefits, and similar benefits for active employees, are provided through the City's Health Care System. The Port recognizes the cost of providing the benefits by expensing the annual insurance premiums, which were approximately $292,000 and $258,000 for the years ended June 30, 1989 and 1988, respectively. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

Note 8 - Related Party Transactions

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $2,900,000 in 1989 and $2,700,000 in 1988. Services provided, included in operating revenue, amounted to approximately $584,000 and $521,000 in 1989 and 1988, respectively.

Note 9 - Commitments And Contingent Liabilities

The Port is presently planning various development projects which involve a commitment to expend significant capital funds. The Port had firm purchase commitments at June 30, 1989 for approximately $2,000,000 for construction, material and services.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

In December 1985, the Port filed a declaratory relief action requesting the court to determine the Port had legally terminated an agreement with a property developer. The developer cross-complained against the Port, seeking damages in excess of $9 million. Counsel to the Port believes the Port should prevail in the case.

Note 10 - Litigation Settlement

During 1989, a settlement was reached on a suit against the City for salary rate adjustments. As a result of the settlement, the Port will make retroactive salary payments to those employees affected. The Port's share of the settlement amounts to $888,000 including interest. Payments will be made over a two year period. The expense of the settlement is reported as other expense and the related liability is included in accrued payroll and related costs for 1989.

S I D E

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Port of San Francisco Annual Report 1990

Sharpening

Our

Focus...

The Port of San Francisco's Mission:

RESPONSIBLE FOR CREATING A BALANCED AND DIVERSE WATERFRONT EVERYONE CAN BE PROUD OF, MINDFUL OF TRADITION WHILE LOOKING TOWARD TOMORROW.

The Port of San Francisco's Strategic Goals

Achieving Integrated And Well-Planned Development. pg. 6

Committed To Attracting Increased Shipping And International Trade. pg. 8

Committed To The Development Of Water-Dependent Industries. pg. 12

Providing Economic Benefits. pg. 14

Responsive To Customers And The Public. pg. 15

Providing Public Access And Recreation. pg. 16

Enhancing Organizational Efficiency, Effectiveness And Employee Participation. pg. 17

Financially Sound And Resourceful. pg. 18

A fisherman at Pier 45, the Port's fish processing center in Fisherman's Wharf.

Like a rudder guiding a ship, the Port's new strategic plan steers us in a focused direction, carving a path of purpose and conviction toward a destiny made clear. Maneuvering through the changing tides of the shipping industry and the heightened environmental wave worldwide, the Port emerged from 1990 with a renewed resilience... and greater appreciation for the many water-dependent industries that contribute to the livelihood of the Port and welfare of the city.

In the swirl of activity that characterized 1990, perhaps the most memorable moments were the time given to introspection and future planning by Port staff for the Strategic Plan. Unlike the more sensational, colorful events of the year, the drafting of the Strategic Plan and the Port's Mission and Goals was a painstaking process that encouraged the unraveling of old truths for the development of contemporary solutions. And in the soul searching that occurred, the Port returned to its historic roots as a legendary seaport and found the blueprint for its mission. We're still the old port...but with a new face...and a fresh perspective.

The Port of San Francisco's 1990 Annual Report is a celebration in diversity —a diverse workforce representing the full range of port services bolstering international trade and commerce. These are the men and women who get cargo off ships and on to America's bustling transportation systems; the fishermen who rise early to catch fish for local consumption and international distribution; the dock workers who repair ships, load warehouses, and maintain our waterfront.

White collar or blue collar, company owner or employee—they are the key to achieving the Port's mission of "creating a balanced and diverse waterfront everyone can be proud of."

San Francisco's great natural harbor has always been the center of our regional economy, a source of economic growth, productive jobs, and needed civic revenues. Our guiding principle remains that we must continue to develop the Port in this manner for the benefit of citizens of our community.

In 1989 we laid the foundation for the resurgence of the Port of San Francisco by starting major infrastructure improvement projects. This past year we began to actually build on that foundation.

The Strategic Plan outlined ambitious goals to maintain a balanced and diverse waterfront—to increase the Port's cargo base, provide improved facilities for water-dependent industries, increase public access, and provide a high level of service to Port customers.

Critical improvements in the port's infrastructure were completed in 1990. Automation of gate facilities at the South Container Terminal, for example, and engineering studies of local rail tunnels to accommodate double-stacked container carriers sent a strong message to the shipping industry that San Francisco was serious about attracting business.

These and other improvements bore fruit this year with the decision by Nedlloyd Lines to make the Port of San Francisco its transshipment hub between the Pacific Rim, Latin America and the Caribbean. This almost doubles the total volume of containers handled by the Port. The renegotiation of contracts with six shipping companies, including the giant Evergreen Lines, also spoke to our ability to compete for our share of maritime commerce.

The spade work performed by the Port's cruise industry task force in 1988 also paid off in 1990 when Crystal Cruise Lines, owned by the giant Japanese NYK Line, agreed to homeport its luxurious MV Crystal Harmony here. We have a continuing commitment to restoring San Francisco as an important destination on cruise itineraries, as evidenced by the issuance of a request for proposals for the construction of a new international Cruise Terminal.

It was in many other ways a tremendously productive year. We received funds to begin earthquake repairs at our fish processing center at Pier 45, a vital first step toward our goal of returning all fishermen to Fisherman's Wharf. Pier 7 was transformed from an obsolete eyesore into a picturesque, active public access resource. And we are well along in the process of repairing the damage on the waterfront wreaked by the Loma Prieta earthquake.

The key to our continued success remains our ability to make the maximum possible use of this great resource—from international shipping to cruises to recreational sailing, from enhanced commercial fishing facilities to our newly remodeled fishing pier. The Port Commission remains dedicated to continuing in this direction of multifaceted, balanced growth to allow the Port of San Francisco to resume its rightful place as one of the premier ports of the Pacific Basin.

Jomes Bouskas
Vice-President

Anne W. Holsted

Dr. Arthur H. Coleman

Douglas F. Wang

J a m e s R. H e r m a n
President, San Francisco Port Commision and International Longshoreman's and Warehouseman's Union

A ship yard worker at one of the Port's three ship repair facilities on the waterfront.

A port diver emerges after checking the conditions of the wooden pier pilings.

Michael P. Huerta
Executive Director

A great deal of thought went into the new mission statement of the Port of San Francisco. We discussed, debated, argued and finally agreed on virtually every word of the mission statement. Given the importance of our new mission statement to all aspects of the Port's activities, I feel I should explain the thinking behind these words and what they mean.

"Responsible" is a very important word. It means the Port is responding to a special public need. San Francisco owes its history to its harbor, and today we at the Port are all committed to ensuring that the Port continues to serve the needs of this City as well as the region and the nation as a whole.

"Creating" indicates our desire to do more than simply assemble a series of prefabricated parts. Our waterfront represents a special opportunity to do much more. We want to develop something that is greater than the sum of the individual parts. The individual activities of our waterfront should compliment and support one another.

The words "balanced and diverse waterfront" reflect the need to respond to many diverse interests in managing the Port. There cannot be winners and losers. We need to recognize that there are many different businesses the Port is involved in and we should not try to choose between them. Instead, we must recognize that all are vital to the long term health of the Port.

"Everyone can be proud of" is an inclusive statement intended to show that we believe it is possible for the Port to respond to the diverse interests of its stakeholders. However, we qualified the statement by saying "can" rather than "will," a subtle but important distinction that tells the world no single interest group should expect to agree with everything we do. Some of our activities will be undertaken to respond to others. However, accepting the need for balance, we can be proud of our waterfront if we take the time to understand the needs and interests of others.

Tradition is important to all of us in San Francisco and is not something we would want to cast aside. That is why we included the words "mindful of tradition." Our tradition is a rich and important influence over what we are today. Nevertheless, we recognize the need to anticipate the future and respond to change; "while looking toward tomorrow" makes that point. The whole phrase underscores the importance of our tradition and our need to remember this legacy, but we recognize our real hope is for the future.

Our mission is supported by eight goals. You will see these goals described through the summaries of our accomplishments for 1990. As you read on, you will see how the Port's mission reflects responsibility for a unique public resource, creating a balance among the diverse interests of the Port family. Our tradition serves as a frame of reference as we look toward the future. And through everything we do, the Port of San Francisco is truly something we can all be proud of.

ACHIEVING INTEGRATED AND WELL PLANNED DEVELOPMENT.

Strategic Plan

1990 saw the adoption and implementation of the Port's first strategic plan in its 128 year history, an idea initiated from a Mayoral Task Force of Port tenants, users and community groups who participated throughout the study. After careful review of numerous focus group surveys, interviews with a broad range of Port customers, and detailed market analysis conducted by an outside consultant team, (Cresept, a Powers Towers Perrin Company) Port senior staff members developed the new Mission, Goals and Initiatives that will guide the Port into the future. Task forces composed of Port staff at all levels are currently implementing the eight initiatives of the new Mission and Goals, and some of the accomplishments listed in the following pages are a direct result of these task force efforts.

Land Use Plan

One of the objectives identified in the Port's strategic plan was to conduct land use plans for specific areas of the waterfront. This effort was given added impetus after a local initiative (Proposition H) passed requesting the Port Commission to complete a comprehensive land-use plan before further non-maritime projects could commence. To respond to Proposition H, the Port expanded its Planning staff, set aside other resources for accomplishing this ambitious effort, and expects to kick-off the program in early 1991.

The emphasis of the land-use plan will be on the Port's maritime needs, translating growth trends of the maritime industry into land use and capital funding requirements. Port planners will also identify properties not needed for industrial maritime development which could, therefore, satisfy other strategic goals of providing public access/recreation and economic benefit to the city, while allowing the Port to remain financially sound and resourceful. Public participation will be a vital ingredient to the land use plan, ensuring that the results respond to the concerns and wishes of our stakeholders.

Mission Bay

A historic proposal to transform an industrial tract into a bustling new neighborhood known as Mission Bay will result in a 50 percent expansion of the Port's North Container Terminal at Pier 80. Over ten years in planning, the Mission Bay project calls for the exchange of 14.8 Port-owned acres in the Mission Bay neighborhood for 34.5 acres owned by the City and Sante Fe Pacific Realty immediately adjacent to the Port's container facilities. In addition, the Port will lease 22 acres to the Mission Bay project for open space purposes, and the Port will be compensated at $2 million a year for thirty years.

Waterfront Transportation Projects

The Waterfront Transportation Projects are a series of four separate roadway and transit projects designed to enhance public access to the Bay, and convert the Embarcadero roadway into a grand vehicular, transit and pedestrian boulevard along the waterfront. With construction primarily on Port lands, Port staff and Commissioners have been actively involved over the past five years in project planning, design and engineering. 1990 saw significant progress in urban design elements of the project, with a Memorandum of Understanding between various City agencies expected in early 1991. Upon Port Commission approval of design and resolution of such issues as parking and maintenance, final design and construction could begin in the fall of 1991.

Charlie Rapp (Port Fire Marshall) and Joe Adams (Port engineer) review floor plans for one of the many facilities along the Port's 7-1/2 mile shoreline jurisdiction.

Transshipment

Unquestionably the most exciting recent development in the shipping and international trade area is San Francisco's emergence as a major transshipment port. Transshipment has long provided foundation business for some of the world's largest container ports, including Rotterdam and Hong Kong. The September announcement by Nedlloyd Lines that San Francisco would be used as one of two transshipment hubs for relaying containers between vessels in their Latin American and Far East services was followed almost immediately by news that San Francisco would be the only such hub on the American side of the Pacific. By multiplying and doubling their business at the Port, Nedlloyd will provide new revenues to accelerate terminal improvements without adding a single truck to the local highways.

The new business of Nedlloyd, when parlayed with projected growth by Transpacific and other lines, promises to result in the most successful year ever for container shipping at the Port. FY 89/90 container volume of 116,000 TEU is expected to jump to 221,000 during the current year—a one-year growth rate of over 90 percent.

Shipping Lines

Six steamship lines, representing every major trade route served from San Francisco, renewed their long-term agreements with the Port during the year. South Terminal customers Evergreen, Splosna Plovba and Grancolombiana joined North Terminal customers Navicana, ELMA and Nedlloyd in extending their contracts with the Port of San Francisco for another five years.

Besides providing a strong vote of confidence in the Port, the securing of long term commitments from this key group of carriers opens the door for further investment and improvement in cargo handling facilities.

Trade/Tonage

Both total tonnage and container tonnage increased 4 percent during Fiscal 89/90. With continuing high world demand for Northern California agricultural products, exports again outweighed imports, but the gap narrowed slightly. Imports accounted for 45% of Port of San Francisco cargo—up from 42% the previous year.

Trade with Asia and the South Pacific again comprised two-thirds of the Port's cargo. After registering a first-ever decline in FY 88/89, recovery of the Port's transpacific trade continued throughout 89/90 resulting in growth of nearly 7 percent. Evergreen Marine Corporation of Taiwan remained the Port's largest container shipping customer, moving about one million tons through San Francisco facilities. China Ocean Shipping of the People's Republic of China (COSCO) was the Port's fastest growing customer in FY 89/90. After tripling their total container tonnage in FY 88/89, COSCO still doubled their business at the Port during FY 89/90.

Improvements

Through the joint efforts of our terminal operators, Port Maritime, Engineering and Maintenance crews, work was completed at the South Terminal gate — enabling implementation of a fully automated delivery and receiving system. Operations at the Terminal were converted to partially wheeled operation (meaning containers are landed directly to chassis from the ship) further speeding the movement of cargo through the facility.

Significant progress was made on engineering work for modification of train tunnels to permit double-stack container trains, paving the way for project completion by the next summer. The implementation of double-stack train service through the Port will provide San Francisco's next growth surge in the highly competitive container market. Because of San Francisco's unique capability to transfer containers between ship and train inside the shipping terminal, this new business will be similar to the newly won transshipment business in that it can provide new revenues, jobs and economic impact without contributing to local highway traffic.

View from a crane operator's cab at one of the Port's two major container terminals.

Responsible for creating

a balanced and diverse

waterfront everyone

can be proud of,

mindful of tradition

while looking

toward tomorrow.

Achieving integrated and well-planned development.

Committed to attracting increased shipping and international trade.

Committed to the development of water-dependent industries.

Providing economic benefits.

Responsive to customers and the public.

Providing public access and recreation.

Enhancing organizational efficiency, effectiveness and employee participation.

Financially Sound And Resourceful.

Water Dependent Industries

COMMITTED TO THE DEVELOPMENT OF WATER-DEPENDENT INDUSTRIES.

Fisherman's Wharf Seafood Center

The extensive damage to the Port's fish handling facilities at Pier 45 from the 1989 earthquake resulted in the restructuring of the Fisherman's Wharf Seafood Center project. The need to put the seafood industry back in full operation put the scheduling of the repair work at Pier 45 ahead of the construction of new commercial fishing berths at the Hyde Street Harbor.

The Port's ability to begin engineering work for the $9 million earthquake repair project on this 11-acre pier was largely due to economic development and disaster assistance grants from federal and state agencies.

A $2 million grant was obtained from the California Business, Transportation and Housing Agency's Unitary Tax Fund and another $2 million grant was secured from the U.S. Department of Commerce Economic Disaster Relief Program. Reimbursement for the costs of earthquake repairs is also being sought from the Federal Emergency Management and Assistance Agency (FEMA), and the Port Commission has authorized use of Port funds to pay for the remaining costs of repairs.

The Port expects to begin construction of Phase I in the Summer of 1991 and complete construction in the Fall of 1992. Phase I work includes repair of pier subsurface and slab, seismic bracing, code upgrades for water, sewer, electricity; roof, building wall and seawall repairs. The Port has met with all members of the fishing industry who have expressed an interest in leasing space at Pier 45 and long term leasing discussions are underway.

Completion of environmental review for future phases of Pier 45 work and the Hyde Street Harbor is currently pending, and financing is being sought.

Cruise Industry

The Port's Pier 35 cruise terminal continued to receive guests from the nine different cruise lines

From oil tankers to cargo vessels to cruise ships, ship repair workers have adapted to the increasingly complex technology of modern day ships.

calling at San Francisco. From May to September, Princess Cruise's "Love Boats" were frequent visitors to the Pier 35 cruise facility. Princess offered 10-day round-trip itineraries on the increasingly popular San Francisco to Alaska run. Princess recently announced a 100% increase in capacity on the San Francisco/Alaska itinerary this coming summer with 12 sailings on the 1,200 passenger Sky Princess.

San Francisco's newest cruise customer is Crystal Cruises, which is owned by shipping giant NYK Line (Nippon Yusen Kaisha). Crystal homeported their luxurious first new vessel, the MV Crystal Harmony in San Francisco this past summer. Crystal Cruises offered four round-trip itineraries to Alaska and British Columbia on the $200 million ship.

In May of 1990, the San Francisco Port Commission held public hearings on the adequacy of Pier 35 to meet growth needs of the cruise industry and debated the need for a new terminal at Piers 30/32. A staff report issued prior to the public hearing had concluded a new terminal would provide civic, economic and indirect benefits to the city; the cruise terminal at Pier 35 required improvements to better serve the industry and its passengers; and the existing terminal should be more active in idle periods.

The well-attended public hearing resulted in a decision to create a new cruise terminal at Piers 30/32 while allowing for minimal upgrades to keep Pier 35 operational during the estimated five-year construction of the new terminal. The Port Commission directed staff to draft a Request for Proposals (RFP) for a mixed-use international cruise terminal on Piers 30/32 and Seawall lots 329 and 330 (across the street from the Pier). Port staff also developed a work plan to study interim uses and improvements to the existing terminal at Pier 35. The results of the Cruise Terminal RFP will be announced in 1991.

Architect Silvia Kwan is a partner of Kwan/ Henmi Associates, a certified minority business firm that's part of the technical team for the Fisherman's Wharf Seafood Center Project.

PROVIDING ECONOMIC BENEFITS.

Ferry Operations
Following the earthquake of 1989 when the Port's ferry operations proved successful in helping to relieve traffic congestion caused by the break in the Bay Bridge, Caltrans (California Department of Transportation) and the Federal Highway Administration agreed to fund various transit improvements and "traffic systems management projects." This year, the two agencies awarded $880,000 to the Port of San Francisco for ferry terminal improvements such as an additional barge and passenger walkway, a patron terminal shelter for ticket sales, direction information and other passenger services, improved lighting, signage and seating. These funds did not require a local match and will go a long way in the development of more permanent and improved ferry transit operations.

Surface Parking Lots
The Port Commission issued a Request For Proposals in 1990 for interim surface parking on up to eight seawall lots. The goal was to increase parking revenues and capacity while retaining maximum flexibility for future development of the lots. Of the seven parking companies that responded, a joint venture including a local minority owned business won the bid with an offer providing almost $90,000 of monthly revenues to the Port, translating to an annual increase of more than $380,000 over the income generated by the same lots in the previous year. Approval by the Port Commission for two-year leases on seven seawall lots was given at the end of 1990.

Disadvantaged Business/ Affirmative Action Programs
Providing an innovative business model for the rest of the City, the Port Commission adopted a Disadvantaged Business Enterprise Program that requires commercial property developers to specify the percentage involvement of small/ disadvantaged businesses throughout the span of a project. This program will apply to all future development projects, requiring developers to breakdown projects into tasks that can be shared with small/disadvantaged businesses. An Affirmative Action Specialist was also hired to create comprehensive programs for Port employment and contracting/ purchasing opportunities. The specialist is responsible for active community outreach, training management staff on non-discriminatory rating criteria, data collection, analysis and progress reports.

RESPONSIVE TO CUSTOMERS AND THE PUBLIC.

Public Boat Tour Series
Over 3,000 San Franciscans enjoyed the Port's free public boat tours of San Francisco's working waterfront. With the theme of "Rediscover Your Waterfront", the fully narrated series of eleven boat tours travelled the shoreline of the Port's seven-and-half miles of jurisdiction to see historic piers and thriving waterfront industries. Included in the tour itinerary were giant crane operations, historic landmarks, state-of-the-art shipping facilities, fishing fleets, ship repair docks and recreational areas.

Assisting in the Port's efforts to draw more people to the waterfront were Hornblower Yachts, the Blue and Gold Fleet, the Red and White Fleet and Regina del Mar, all of whom generously provided vessels. Public response to the free tours was overwhelmingly positive—special invitations were sent to senior citizen, environmental, labor and neighborhood groups—and the bay tours could develop into an annual tradition. San Francisco Mayor Art Agnos attended a couple of the boat tours and lauded the opportunity for local citizens to enjoy our valuable waterfront resources.

Fisherman's Wharf Beautification Project
Merchants and Port officials jointly engaged in a Fisherman's Wharf "facelift" that included increased garbage pick-up, steam cleaning of sidewalks and stronger pest control efforts. The number one ranked tourist attraction in the city also got the benefit of a full-time city policeman to patrol Port property on a regular basis, as well as an Environmental Control Officer to launch an education and enforcement program on environmental laws for neighborhood merchants and residents. San Francisco passed additional regulations for "charitable solicitors" and the improvement was especially visible in Fisherman's Wharf where the proliferation of T-shirt vendors caused some traffic and safety concerns. The joint beautification efforts by Port staff and Fisherman's Wharf merchants have increased morale, brought immediate benefits to the area, and laid a strong foundation for further improvements in the northern waterfront.

Jacqueline Flagg answers public inquiries about the Port of San Francisco, a self-supporting city agency that's run like a business and receives no city tax dollars.

PROVIDING PUBLIC ACCESS AND RECREATION.

Special Events

San Francisco's bay has often been called the world's best amphitheater for spectacular events with the waterfront and hill dwellers of San Francisco providing a rapt audience. That claim proved true in 1990 when San Francisco's Fleet Week won the U.S. Navy award for top special event of the year worldwide. Hundreds of Bay Area visitors flocked to the Port's Pier 35 to view visiting historic and tall ships such as the Spanish Juan Sebastian De Elcano, one of the world's premier tall ships with four towering masts and a 250-foot white hull. The Coast Guard celebrated its 200th birthday with a Bay celebration featuring full-dressed ships from round-the-world, including the first visit by a Soviet vessel since World War II. The Port hosted its seventh annual Whaleboat Race and provided free entertainment for the downtown community and local residents. Festa Italiana, a major community event hosted by the families of Fisherman's Wharf, was staged outdoors for the first time in the central plaza of the Wharf and new crowds were drawn to this eighth annual urban fair.

A clown works the crowd during the grand opening of Pier 7, the Port's newest public access and fishing pier.

Pier 7

The longest public access pier into the Bay—and some claim the most spectacular pier—opened this year with a grand celebration for Pier 7, the Port's new recreation and fishing pier. The $6.5 million pier is flanked with old-fashioned Embarcadero light fixtures, ornamental iron handrails, antique style iron/wooden benches, and timber plank decking. Funded in part by the Port of San Francisco, the city's Recreation and Park Open Space Fund, California Department of Fish and Game, National Park Service and California Coastal Conservancy, Pier 7 was officially dedicated by S.F. Mayor Art Agnos with dozens of school children and senior citizens participating in the waterfront celebration.

San Francisco Sailing Center

A development memorandum was executed for the San Francisco Sailing Center located at Piers 24/26 directly under the Bay Bridge. The Sailing Center, introduced in 1989, features an expanded yacht harbor with strong sailing program and public access pier, all to be financially supported by a 170-room hotel. The development memorandum between the Koll and Bressie Companies and the Port laid out the process to seek and obtain all regulatory approvals, and outlined the conditions to be met before the Port Commission could consider a lease. Further progress for the Piers 24/26 project is pending completion of a waterfront land-use plan.

ENHANCING ORGANIZATIONAL EFFICIENCY, EFFECTIVENESS AND EMPLOYEE PARTICIPATION.

The October 1989 earthquake renewed Port awareness of its greatest assets—the employees—and consequently safety seminars on earthquake preparedness and CPR training were conducted, along with the creation of survival cabinets complete with search and rescue kits. A staff news-letter was also launched to increase employee communication.

Employee participation was a key ingredient in the undertaking of the Port's first organizational analysis ever. The analysis will align the organizational structure, reporting lines and staffing to successfully implement the Port's strategic mission, goals and objectives. Port staff from all levels sat on the selection panel, and indeed, a critical factor in the selection of the consultant team was the extent of staff participation during the organizational analysis. The first results of the organizational review are expected in March of 1991.

A pile-driving team, part of the Port's 125-member Maintenance Department responsible for waterfront upkeep.

FINANCIALLY SOUND AND RESOURCEFUL.

Fiscal Year 1989/90 was somewhat unusual for the Port of San Francisco due to an unexpected event, the Loma Prieta earthquake of October 1989. Despite the property and infrastructure damage caused by the earthquake along with the resultant decline in commercial revenues, we were still able to end the year with a surplus, albeit a smaller net profit than in previous years.

In fiscal year (July through June) 1989/90, the Port of San Francisco's operating revenues were $29,610,000, three percent lower than 1988/89. The revenues, combined with operating expenses of $27,811,000 (a 9.6 percent increase from the previous fiscal year), resulted in an operating income of $1,799,000, a decrease of $3,362,000 from 1988/89. The damage from the earthquake caused lower than expected rental revenues, in addition to higher operating costs due to emergency repairs by our Maintenance and Engineering crews for work not covered by Federal and State earthquake assistance (i.e., seismic upgrades, retrofitting and other improvements). The $4,225,000 listed under Other Income (Expense) for earthquake damage and expenses is the amount eligible for reimbursement by Federal and State agencies.

In addition to the $11.5 million in Maritime revenues, $1million in rent from maritime-related industries is included under Property rent, increasing Maritime's contribution to 42 percent of total Port revenues. Property rentals contributed $16.7 million, 57 percent; miscellaneous income added $400,000 or 1 percent of total Port revenues.

The Port has streamlined its capital planning process, defining criteria and establishing a new methodology for setting capital priorities. With the assistance of its Financial Advisor, the Port is developing a comprehensive financial plan incorporating the new capital plan, and is building a long-term debt management model to provide efficient and up-to-date management information.

Port staff were also resourceful in the past year in obtaining state and federal monies for various projects. A grant from the California Department of Transportation and Federal Highway Administration for $880,000 was given to S.F.'s port for permanent improvements to our ferry terminal operations at Pier 1/2 (see page 14.) A total of $4 million in economic development and disaster assistance grants from the federal and state governments was awarded for the earthquake-damaged fish processing center at Pier 45, where nine fishing companies had to be relocated to other Port piers (page 12.) Reimbursement for costs of earthquake repairs along the Port's seven and half mile waterfront is also being sought from the Federal Emergency Management and Assistance Agency (FEMA).

The outlook for fiscal year 1990/91 is optimistic with the tremendous growth in cargo volumes through the Nedlloyd transshipment hub, and a return to pre-earthquake commercial revenue levels. On the following pages is a detailed analysis of the Port's financial portfolio for fiscal year 1989/90.

ILWU clerk specially trained for the state-of-the-art gate system at one of the Port's major container terminals in the southern waterfront.

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THE HONORABLE SAMUEL D. YOCKEY, CONTROLLER,
CITY AND COUNTY OF SAN FRANCISCO

We have audited the accompanying balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1990 and 1989, and the related statements of income, equity, and changes in financial position for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1990 and 1989, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong
Morris, Davis & Company
Certified Public Accountants

September 28, 1990

BALANCE SHEET
June 30, 1990 and 1989 (in thousands)

ASSETS

	1990	1989
Current Assets:		
Cash and investments, principally in City Treasury-Part operating fund	$21,401	$26,236
Receivables	9,206	3,389
Materials and supplies	1,418	1,310
Prepaid insurance and other assets	887	1,065
Total Current Assets	32,912	32,000
Restricted Assets:		
Cash and short-term investments:		
Capital outlay	14,451	16,558
Bond interest and redemption	9,901	9,934
Lessee deposits held in trust	1,533	1,387
Total Restricted Assets	25,885	27,879
Property, Plant, and Equipment--Net	190,927	187,349
Long-Term Receivable	493	436
Total Assets	$250,217	$247,664

LIABILTIES AND EQUITY

Current Liabilities:		
Accounts payable and accrued liabilities	$8,381	$4,748
Current maturities of long-term debt	3,325	3,715
Accrued bond interest payable	195	214
Total Current Liabilities	11,901	8,677
Payable from Restricted Assets:		
Accrued bond interest payable	2,489	2,522
Lessee deposits	1,533	1,387
Deferred grants	143	
Total payable from restricted assets	4,165	3,909
Deferred Revenue	335	442
Long-Term Debt--Net of current maturities	74,797	78,021
Total Liabilities	91,198	91,049
Equity:		
Contributed capital	18,156	15,793
Revaluation of property	56,063	56,063
Retained earnings	84,800	84,759
Total Equity	159,019	156,615
Total Liabilities and Equity	$250,217	$247,664

The accompanying notes are an integral part of this statement.

STATEMENT OF INCOME

Years Ended June 30, 1990 and 1989 (in thousands)

INCOME	1990	1989
Operating Revenues:		
Property rentals-commercial	$16,910	$17,980
Property rentals-maritime	4,793	4,372
Wharfage, dockage, and demurrage	6,676	6,427
Commercial power	869	856
Other	362	897
Total Operating Revenues	29,610	30,532
Operating Expenses:		
Operations	10,793	9,538
Maintenance	10,137	9,662
Depreciation	4,877	4,530
Commercial power	695	644
Fire boat operations	1,309	997
Total Operating Expenses	27,811	25,371
Operating Income	1,799	5,161
Other Income (Expense):		
Interest income	2,800	2,983
Interest expense	(4,558)	(4,290)
Earthquake damages and expenses	(4,225)	
Federal and state earthquake assistance	4,225	
Litigation settlement		
Gain on sale of property, plant and equipment		29
Total Other Income (Expense)	(1,758)	(2,166)
Net Income	$41	$2,995

STATEMENT OF EQUITY

Years Ended June 30, 1990 and 1989 (in thousands)

	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
Balances as of June 30, 1988	$15,208	$56,063	$81,764	$153,035
Capital grants	585			585
Net income for the year ended June 30, 1989			2,995	2,995
Balances as of June 30, 1989	15,793	56,063	84,759	156,615
Capital grants	2,363			2,363
Net income for the year ended June 30, 1990			41	41
Balances as of June 30, 1990	$18,156	$56,063	$84,800	$159,019

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN THE FINANCIAL POSITION

Years ended June 30, 1990 and 1989 (in thousands)

SOURCES OF FUNDS		
Operations:	**1990**	**1989**
Net income	*$41*	*$2,995*
Expenses not using working capital: Depreciation and amortization	*4,978*	*4,632*
Revenue not providing working capital:		
Recognition of deferred revenue	*(107)*	*(127)*
Gain on sale of property, plant and equipment		*(29)*
Total from operations	*4,912*	*7,471*
Capital grants received	*2,363*	*585*
Decrease in restricted assets	*1,994*	*1,282*
Increase in liabilities payable from restricted assets	*256*	*21*
Proceeds from sale of property, plant and equipment		*135*
Total sources of funds	*9,525*	*9,494*
USES OF FUNDS:		
Acquisition of property, plant, and equipment	*8,455*	*3,021*
Payments and current maturities of long-term debt	*3,325*	*3,715*
Increase in long-term receivable	*57*	*51*
Total uses of funds	*11,837*	*6,787*
(Decrease) Increase in Working Capital	*($2,312)*	*$2,707*
WORKING CAPITAL (DECREASE) INCREASE BY COMPONENT:		
Cash	*($4,835)*	*$2,700*
Receivables	*5,817*	*392*
Materials and supplies	*108*	*100*
Prepaid insurance and other assets	*(178)*	*(48)*
Accounts payable and accrued liabilities	*(3,633)*	*(439)*
Current maturities of long-term debt	*390*	*(15)*
Accrued bond interest payable	*19*	*17*
(Decrease) Increase in Working Capital	*($2,312)*	*$2,707*

The accompanying notes are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived from both commercial rental and maritime operations. All of the Port's tenants, and substantially all of its other customers, are located in the City.

Materials and Supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Property, Plant and Equipment

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of a lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such tax-exempt borrowings is capitalized from the date of borrowing through the construction period.

NOTE 2 - CASH AND INVESTMENTS:

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1990 and 1989, cash and investments held by trustees include $9,901,000 and $9,934,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1990 and 1989, lessee deposits held in trust include $637,000 and $536,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

NOTE 3 - RECEIVABLES:

At June 30, 1990 and 1989, receivables consisted of:

	1990 (in thousands)	1989 (in thousands)
Trade accounts receivable	$2,324	$2,370
Less allowance for doubtful accounts	124	181
	2,200	2,189
City and County of San Francisco (including grants receivable of $2,288 in 1990)	2,418	149
Accrued interest receivable	947	875
Accrued revenue and other receivables	169	176
Grants receivable	324	
Federal and state disaster assistance receivable	3,148	
	$9,206	$3,389

As discussed in Note 12, the federal and state disaster assistance receivable represents the excess of approved federal and state assistance relating to the Loma Prieta earthquake over amounts received.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1990 and 1989, property, plant and equipment consisted of:

	1990 (in thousands)	1989 (in thousands)	Estimated Useful Life (years)
Land and land improvements	$112,960	$112,904	
Buildings, structures and related improvements	161,718	158,797	5 - 59
Equipment	3,924	3,963	5 - 25
Total	278,602	275,664	
Less accumulated depreciation	(97,043)	(92,344)	
Net	181,559	183,320	
Construction work in progress	9,368	4,029	
Total	$190,927	$187,349	

Total interest cost was $6,322,000 and $6,503,000 for fiscal years 1990 and 1989, of which $1,764,000 and $2,213,000 was capitalized, respectively. Total interest earned was $4,300,000 and $4,598,000 for fiscal years 1990 and 1989, of which $1,500,000 and $1,615,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $53,700,000 and $52,900,000 at June 30, 1990 and 1989, respectively.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

At June 30, 1990 and 1989, accounts payable and accrued liabilities consisted of:

	1990 (in thousands)	1989 (in thousands)
Accounts payable	$969	$760
Due to the City and County of San Francisco	1,194	180
Accrued liabilities	558	538
Accrued payroll and related costs	2,834	3,270
Accrued earthquake related expenses	2,826	
	$8,381	$4,748

NOTE 6 - LONG-TERM DEBT:

At June 30, 1990 and 1989, long-term debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1990 (in thousands)	Balance 1989 (in thousands)
General Obligation Bonds:				
State of California:				
Fifth Seawall 1958, Series B, F, G and H	1.00 - 4.85	1999	$7,170	$8,805
City and County of San Francisco–Harbor Improvement 1971:				
Series A	4.5 - 5.25	2003	10,400	11,200
Series B	6.0 - 6.3	2005	6,000	6,400
Total General Obligation Bonds			23,570	26,405
Revenue Bonds:				
Series A 1969	7.0 - 7.2	1999	7,800	8,200
Series B 1971	5.5	2001	5,950	6,250
Series C 1984	9.5 - 11.5	2009	42,145	42,325
Total Revenue Bonds			55,895	56,775
Total Debt			79,465	83,180
Less:				
Current maturities			3,325	3,715
Unamortized discount–Revenue Bond Series C			1,343	1,444
Total Long-Term Debt			$74,797	$78,021

NOTE 6 - LONG TERM DEBT (CONT.)

The bonds mature as follows:

Year Ending June 30: (in thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1991	*$1,060*	*$1,200*	*$1,065*	*$3,325*
1992	*1,055*	*1,200*	*1,505*	*3,760*
1993	*1,055*	*1,200*	*1,595*	*3,850*
1994	*1,055*	*1,200*	*1,755*	*4,010*
1995	*1,045*	*1,200*	*1,925*	*4,170*
Thereafter	*1,900*	*10,400*	*48,050*	*60,350*
	$7,170	*$16,400*	*$55,895*	*$79,465*

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for the reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At both June 30, 1990 and 1989, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000.

NOTE 7 - OPERATING REVENUES-PROPERTY RENTALS:

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1990 *(in thousands)*	1989 *(in thousands)*
Minimum rentals	*$18,013*	*$18,114*
Percentage rentals	*3,690*	*4,238*
	$21,703	*$22,352*

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30:	*(in thousands)*
1991	*$9,671*
1992	*9,265*
1993	*8,282*
1994	*7,911*
1995	*7,559*
Thereafter	*204,623*
Total	*$247,311*

NOTE 7 - OPERATING REVENUES--PROPERTY RENTALS (CONT.):

The approximate cost of property subject to operating leases and property held for lease at June 30, 1990 consisted of:

	(in thousands)
Land and Land Improvements	*$47,000*
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $90,000)	*65,000*
Total	*$112,000*

NOTE 8 - EMPLOYEE BENEFIT PLANS:

Retirement Plans:

a. City and County of San Francisco

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers the majority of all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000.

The latest actuarial valuation of the Retirement System was completed on December 7,1989 by the actuarial firm of Milliman & Robertson, Inc. and was based upon employee data and asset information as of June 30, 1989. The significant economic assumptions used in the valuation as of June 30, 1989 were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6.5%, annual consumer price index increases of 5%, and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1989 and includes substantially all City fund groups:

	(in millions)
Pension benefit obligation	*$4,718*
Net assets available for benefits at cost (market value $3,779)	*3,548*
Unfunded pension benefit obligation	*$1,170*

The City met the actuarially determined contribution requirements for the years ended June 30, 1990 and 1989. Pension costs relating to the Port were $1,445,000 and $1,311,000 for 1990 and 1989, respectively.

b. State of California

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the Board of Administration.

The Port's contributions to PERS totalled approximately $20,000 and $51,000 for 1990 and 1989, respectively. The City's Office of the Controller Combined Financial Statements contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

NOTE 8 - EMPLOYEE BENEFIT PLANS (CONT.):

Deferred Compensation Plan:
The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $210,000 and $140,000 for 1990 and 1989, respectively.

Health Care Benefits--Retired Empoyees:
The Port provides health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age. Those benefits, and similar benefits for active employees, are provided through the City's Health Care System. The Port recognizes the cost of providing the benefits by expensing the annual insurance premiums, which were approximately $346,000 and $292,000 for the years ended June 30, 1990 and 1989, respectively. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

NOTE 9 - RELATED PARTY TRANSACTIONS:

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $3,500,000 in 1990 and $2,900,000 in 1989. Services provided, included in operating revenue, amounted to approximately $572,000 and $584,000 in 1990 and 1989, respectively. Receivables and payables relating to such transactions are disclosed in Notes 3 and 5, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES:

The Port is presently planning various development projects which involve a commitment to expend significant capital funds. The Port had firm purchase commitments at June 30, 1990 for approximately $2,569,000 for construction, material and services.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

In December 1985, the Port filed a declaratory relief action requesting the court to determine that the Port had legally terminated an agreement with a property developer. The developer cross-complained against the Port, seeking damages in excess of $9 million. Counsel to the Port believes the Port will prevail in the case.

Certain grants that the Port receives are subject to audit and final acceptance by the granting agency based upon their review of costs incurred.

NOTE 11 - LITIGATION SETTLEMENT:

During 1989, a settlement was reached on a suit against the City for salary rate adjustments. As a result of the settlement, the Port will make retroactive salary payments to those employees affected. The Port's share of the settlement amounts to $888,000 including interest. Payments are being made over a two year period. The expense of the settlement and the related liability was included in accrued payroll and related costs for 1989.

NOTE 12 - EARTHQUAKE DAMAGES:

The Port suffered damage from the Loma Prieta earthquake which occurred October 17, 1989. All damaged property and infrastructure have been identified. The Port has estimated the total earthquake-related damages to be $4,225,000 which the Port expects to ultimately repair. To date $1,399,000 has been expended for the year ended June 30, 1990. These estimates do not include costs relating to seismic upgrades, retrofitting or other improvements. The diminished value of damaged property and infrastructure and the liability (projected replacement cost) have been recorded accordingly.

The Port has been granted $4,225,000 in Federal and state emergency assistance of which $1,077,000 has been received as of June 30, 1990. The Port has recorded a receivable in the amount of $3,148,000 which represents the amount of approved Federal and state assistance which the Port intends to utilize to repair and replace its property and infrastructure.

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ANNUA

REPORT 1990

Wharfside

PORT OF SAN FRANCISCO *ANNUAL REPORT 1991*

The citizens of San Francisco can be proud of what we have accomplished this year at the Port. Striving for excellence, we provide outstanding service to our current customers while at the same time working to identify and deal with long-term issues which will affect the Port.

Our strength lies in people with a vision. It's not just the Port staff; it's our customers, all the volunteers who serve on the Waterfront Land Use Advisory Board, the city planners, the urban designers, the transportation managers, and the citizens of San Francisco — particularly those who take time to come to our meetings and participate in the process of planning for the future. And our support is not just local: Representative Nancy Pelosi has been particularly active in making sure that the message about the economic importance of the Port of San Francisco is heard in Washington, and through her efforts we have received funding for projects that will benefit the City's fishing industry. We also have strong support from our state legislators, Senator Milton Marks, Assembly Speaker Willie Brown, and Assemblyman John Burton.

We were saddened with the passing of one of our leading visionaries. Jack Morrison, who served with distinction on the Port Commission from 1976 to 1984 and was an instrumental member of the new Waterfront Land Use Advisory Board, died in December. We will miss him.

As we move toward the 21st Century, we must plan a Port that is responsive to the needs of all of the diverse communities we serve. Our success will depend on our ability to build consensus, to bring everyone together to work towards common goals. We have shown that we know how to do this with highly-visible, environmentally-sensitive issues such as dredging: We have taken a very active role in the Bay Area Dredging Coalition and the Long-Term Management Study by the Army Corps of Engineers. The results have been extremely positive.

What we do here at the Port of San Francisco has an impact far beyond the city limits. As an international gateway for both passenger and cargo traffic, we serve the world. We want to do it well, and the plans for improved facilities and the new organization that we have in place today will let us do just that.

James R. Herman
1991 President, S.F. Port Commission

People with vision... that's what makes the process work

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Our Future Success Depends On What We Are Doing Now

1991 was a year of building for the Port of San Francisco's future. Collectively, Commissioners and staff laid the groundwork for growth of our Port's industries.

We started construction projects aimed at modernizing our facilities to keep our businesses competitive. The long-awaited renovation of fish processing facilities is now underway with federal and state grants. A major modernization project for our North Container Terminal is ready to begin.

Work commenced on new landing facilities for commuter ferries next to the Ferry Building to handle the region's expected growth in ferry passenger service.

Setting the foundation for the future goes beyond projects that improve structures. It also entails land use planning, efficient staff management and building of partnerships.

1991 marked the start of a land use planning process to guide the development of future maritime and commercial facilities. Port staff and an advisory group of business leaders and interested citizens are investing a tremendous amount of time. It is a worthwhile investment that will yield a framework for our future activities.

We changed our organizational structure because in many ways, our old structure actually inhibited us from meeting our customers needs. We added new disciplines like a regulatory and environmental planning unit to respond to emerging areas of port operations. We increased staffing in areas of marketing, promotions and leasing to generate new revenues for the Port and the City.

The change has been a long and painful process for all of us. No one likes change and managing a staff transition takes time. But the changes will build a base for many years to come. We are strengthening our staff capabilities to serve customers and to maintain our financial profitability.

We are tackling the critical need to locate disposal sites for dredge material through a partnership with other Bay Area ports, government agencies, business associations, labor unions, and conservation groups. We pioneered the disposal of dredged material at a landfill site as a demonstration project for the region's on-going study of alternative disposal sites.

Our new partnership helped us respond to last year's dredging impasse caused by concerns over declining Chinook Salmon populations. We adjusted to the stricter regulatory climate and revised a maintenance dredging program that enabled us to get the job done.

The process of building and planning that characterized 1991 taught us the art of patience. It is now beginning to pay off. As the old saying goes, the best things in life come to those willing to wait.

1991 brought us to new turning points for meeting the challenges of the 21st century. I am very pleased with where we have been. I am truly excited about where we are going.

Michael P. Huerta
Executive Director

The Reorganization

In 1991, the Port management was reorganized into five new divisions in order to provide more direct support to long-term cargo customers and to place new emphasis on the unique needs of water-dependent industries such as fishing, ship repair, passenger services (cruise lines and excursion vessels) and recreation.

Cargo Services

The primary focus of this Division is to attract increased shipping and international trade while maintaining a high level of service to existing customers. Target markets are primarily shipping lines and, secondarily, shippers and consignees.

Cargo Services is divided into four operating elements: Customer Service, responsible for all day-to-day terminal operations and for billing and collection functions; Engineering, providing professional design and costing services for ongoing projects; Maintenance, which deals with facilities and equipment and marine terminal operations support; and Sales and Marketing, the group which researches market trends, identifies potential new and existing markets, provides port operations data, manages advertising, and conducts special events.

Tenant Services

Tenant Services merges the Property Department with the cruise industry, ferry and excursion boat operations, and ship repair industry which were formerly part of Maritime Services. This new Division is responsible for negotiating and managing all leases, billing and collecting all rents and wharfage fees, developing market research on industry trends, conducting promotional efforts for both waterside and landside facilities, establishing liaison with citizens groups such as the Fisherman's Wharf Citizen Action Committee, and assisting tenants with problem resolution.

Planning and Community Affairs

This Division is a newly-created group, responsible for the long-term future of the Port. Staff members assist the Waterfront Plan Advisory Board, oversee environmental regulatory compliance, and manage all major Port development projects. The office is divided into planners, city attorneys, managers, engineers, and project coordinators.

Internal Services

Day-to-day business operations of the Port's internal operations, including accounting, personnel, MIS, inventory, and infrastructure maintenance are the responsibility of this Division. Internal Services develops and tracks the budget, ensures compliance with all City directives, and manages supplies and equipment.

Executive

This is the support staff for the Executive Director and the Port as a whole, providing expertise in the areas of Legislative Affairs, Press Relations, Financial Planning, and Legal Counsel.

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James M. Bouskos, Vice President

Dr. Arthur H. Coleman

Anne W. Holsted

Douglas F. Wong

Executive Director

Michael P. Huerta

Port Commission Secretary

Elizabeth Doy

Cargo Services

Roger Peter, Director

Tenant Services

Michael Janis, Director

Planning & Community Affairs

Keri Lung, Director

Internal Services

Jack Conrad, Director

Office of Legislative Affairs and Communication

Veronica Sanchez

Finance

Ben Kutnick, Manager

Legal (City Attorney)

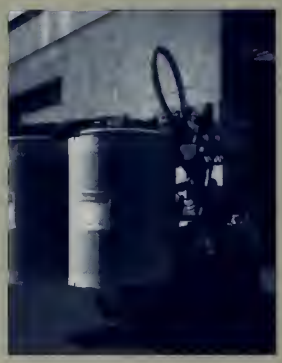
Jack Pizzo, Port Legal Counsel

Maintenance Coordination

Maurice Edwards, Superintendent

Harbor Maintenance

Increasing cargo terminal throughput is our newest challenge



The Port of San Francisco's container volume has doubled in the last year, making it the 14th largest container port in the nation. Marketing efforts are underway to maintain the Port's strong position in the market. Intermodal cargo, which accounts for 96% of all cargo, remains the Port's highest priority.

Cargo Operations

Implementation of Nedlloyd hub operations—with as many as four ships in port at a time— dramatically increased the Port's cargo tonnage: Liner metric tons grew 54%, and TEUs jumped 60%. The Port holds a 21% market share of Bay Area international liner cargo.

Destinations in Asia account for 77% of the outbound traffic. South/Central America is next at 12%, followed by Australia/New Zealand (9%), Europe (1%) and other areas (1%). Cotton was the Port's #1 export commodity, and this local market, has grown steadily over the last three years. The Port handles 46% of all cotton shipped out of the Bay Area.

North-American newsprint remained the Port's #1 import commodity in 1991 and continues to look strong. California's recycled content law, which requires a percentage of all newspapers to be printed on recycled paper may open new waste paper export opportunities.

Trade with Latin America can be expected to increase. In March 1991, San Francisco was awarded a Coffee Futures Exchange contract allowing importers to sell coffee directly to the Exchange, beginning in June 1992. Coffee is the Port's second largest commodity, and Nestle Co. estimates the Port can expect up to one million additional bags of coffee within two years. San Francisco already handles 77% of all Bay area coffee and 58% of all west coast coffee imports, up from 45% in previous years. Actively exploring potential new markets in Latin America, the Port will sponsor the first Bay Area Latin American Trade Fair early in 1992.

Infrastructure

The increased cargo activity points up the clear need for improvements to the terminal infrastructure; increased throughput capacity is required and pavement and electrical repairs are needed. At year end plans were in place for a $6,000,000 Pier 80 Improvement Project, with bidding scheduled for early 1992.

The Port Commission approved a land swap in conjunction with the City's Mission Bay Project, a new business and residential community in the south waterfront area. The swap gives the Port 35 acres of land adjacent to Pier 80 for future expansion of cargo terminal facilities.

Improved freight access to the cargo terminals is the focus of two long-term Cargo Services projects: building a railroad bridge across Islais Creek, and improving the railroad tunnels to accommodate double-stack trains.

Dredging

San Francisco became the first Golden Gate Port to complete a successful upland dredging project when 12,000 cubic yards of material from Pier 29's Newsprint Terminal was disposed at Redwood Landfill, with temporary storage at Port Sonoma. The Port also reduced its annual dredging program for disposal at Alcatraz island to respond to growing conservation concerns about Chinook salmon.

The Port has actively participated in a long-term planning effort spearheaded by a multitude of federal, state, and regional agencies that will lead to the designation of approved sites for disposal of dredged material. The addition of a Regulatory Manager to the Port staff is expected to facilitate liaison with applicable agencies and ensure compliance with all environmental requirements.

PORT OF
SAN FRANCISCO

Balancing the needs of a diverse set of customers — that is the Port's primary role

Doing business on the waterfront in 1991 was sometimes a challenge. The Embarcadero demolition significantly affected parking and traffic, with a slight negative impact on Port revenues. By year end business was almost back to normal. In addition to the traditional tenant and lease issues, the Division found itself involved in projects to improve ferry services, support and sustain ship repair, accommodate excursion boats, and market both the ship repair and cruise industries.

Property Management

Ongoing efforts to increase Port revenue and service include increased liaison with industry and neighborhood groups, improving collection procedures for dockage and wharfage fees, new herring fishing permit procedures, planning long-range requirements to support fish-handling tenants, development of a rent credit policy to encourage tenant investment in Port Property, and creation of a new leasing group which is expected to generate over a million dollars a year in new revenues.

Rental billings increased by nearly $600,000 in 1991, but parking revenues were down slightly due to the Embarcadero demolition and ferry terminal improvement projects.

Development of a cooperative relationship with the City Parking and Traffic Department and the added presence of full-time Police Officers at the Port led to improvements in the overall traffic flow as well as safety and security of Port property.

Fisherman's Wharf Projects

At Fisherman's Wharf water quality problems are being addressed, new bus loading zones were created, a landscaping project was completed, planning is underway for a petroleum products recycling program, and a $13.4 million earthquake repair at Pier 45 has begun.

Pier 45 repairs include removal and replacement of damaged floors and pavement, installation of new utilities, repairs to the seawall and compaction of the soil beneath the sheds, sewer repairs, seismic bracing, repairs to damaged building walls and foundations, installation of fire-protection systems, and repaving. All facilities will be brought up to code.

When complete, fish-handling facilities will be available in Sheds B and D, and parking in Shed A. Final decisions on long-term uses for Shed C will depend on further planning and environmental studies, funded, in part, by a $250,000 grant for the study of a Fishing and Environmental Institute from the Federal Fisheries Promotional Fund.

Water-dependent Industries

Ship repair and the cruise industry together generated in excess of three million dollars in Port revenue. With more than 35 vessel calls in 1991, passenger traffic was up about 5% over previous years, as a result of changing cruise patterns due to the Persian Gulf conflict, and a similar increase is expected in 1992. The Port has also seen an increase in excursion vessel traffic and is developing new polices to support this growing area.

The Port Commission approved a proposal to create a Ship Repair Training Facility in warehouse space available at Pier 70, and, in September, Mayor Art Agnos and Supervisor Jim Gonzalez officially launched the project. The Port will lease the building to a newly-created non-profit corporation which will oversee improvements to the site and develop and run the training programs in industrial skills areas directly related to ship repair. The Port is active in ongoing lease negotiations with the Navy to turn the Hunters Point Shipyard over to the City. This facility will increase the Port's competitive position.

OF SAN FRANCISCO
SABELLA · LATORRE

Planning for tomorrow takes focus today

In 1991, Planning and Community Affairs Division received a special "Excellence on the Waterfront" Design Award from the nationally-renowned Waterfront Center for the Pier 7 public access and fishing pier project.

The primary focus for the Division has been initiating and supporting the Waterfront Plan Advisory Board (see page 10), conducting industry-based market research, developing Waterfront Plan materials, and managing ongoing long-term projects.

Scandinavia Center

In January 1991 the Port Commission granted Scandinavia Center Inc. the right to pursue development of a $200 million international cruise terminal and mixed-use maritime development on Piers 30-32. SCI plans a cruise passenger terminal capable of handling two large ships simultaneously, an exhibition hall, and a complex with business, trade, exhibit and cultural facilities.

In addition, the development will include World Centre, a non-profit educational and cultural complex dedicated to the founding principles of the United Nations; International Harbor Park, a 100,000 square-foot park to be designed and managed by Tivoli Gardens of Copenhagen; a 360-room hotel to be located across the Embarcadero; and a marina for visiting yachts.

The project, which will bring an estimated 2,100 jobs and new annual tax revenues in excess of $7.5 million, is being designed by the Scandinavian architectural firm Hvidt & Molgaard. SCI is expected to prepare an environmental impact report in 1992, and construction is expected to begin in 1993.

Ferry Terminal Projects

In 1991 ferry services received unprecedented new public support. The Blue and Gold Fleet started service to the East Bay and Harbor Bay Marine began developing service to southern Alameda. The Port received funding for two separate phases of improvements to ferry services.

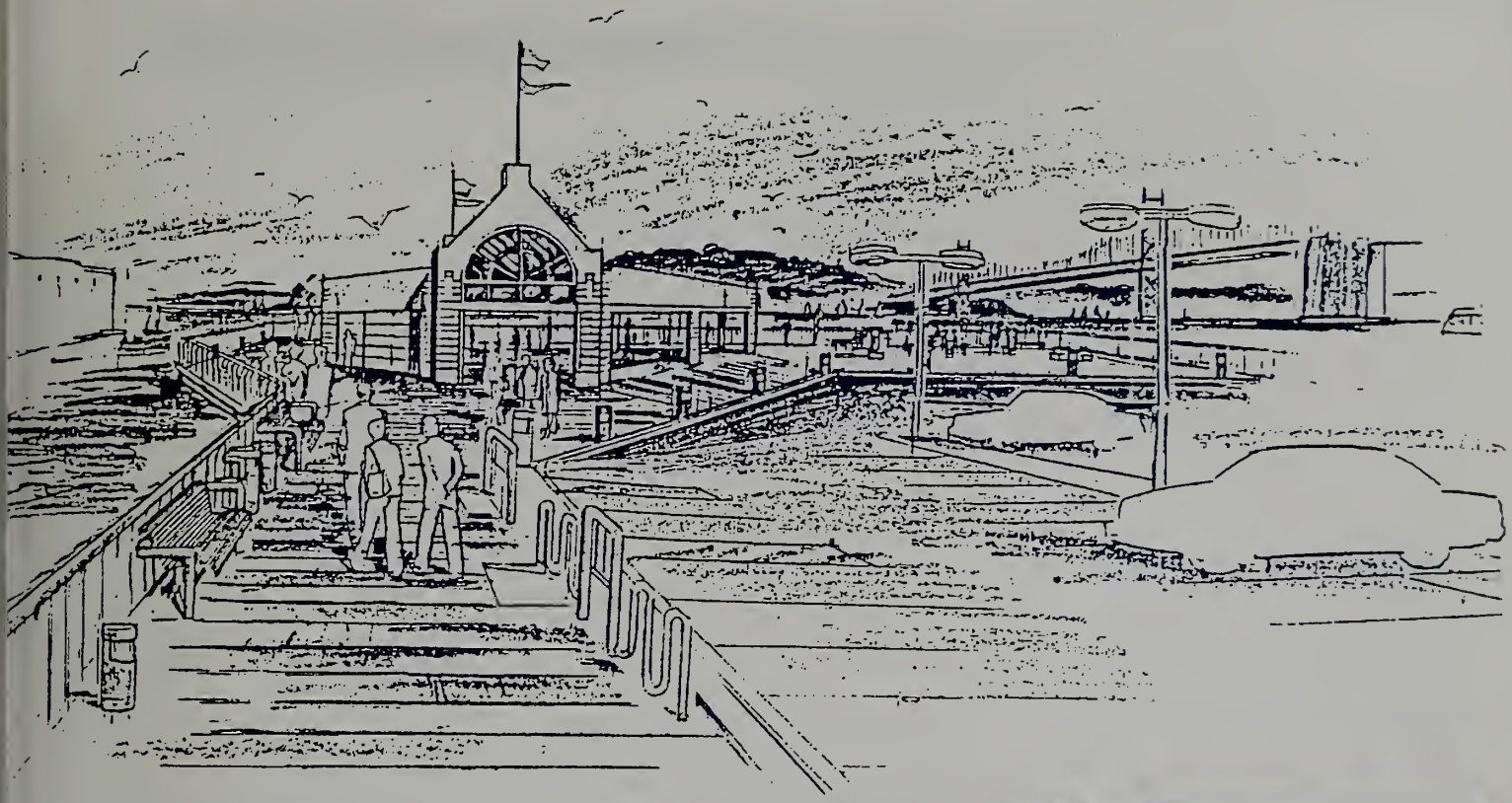
Phase I, funded by various Emergency Relief Grants stemming from the Loma Prieta earthquake and from City sales taxes, is a $1.9 million project which will allow the Port to improve Pier 1/2 ferry passenger access, including that for the disabled. Construction is scheduled to be complete in late March or early April 1992 on a new trestle gangway, a second ferry dock, a new lighting system, a raised boardwalk, and an information kiosk.

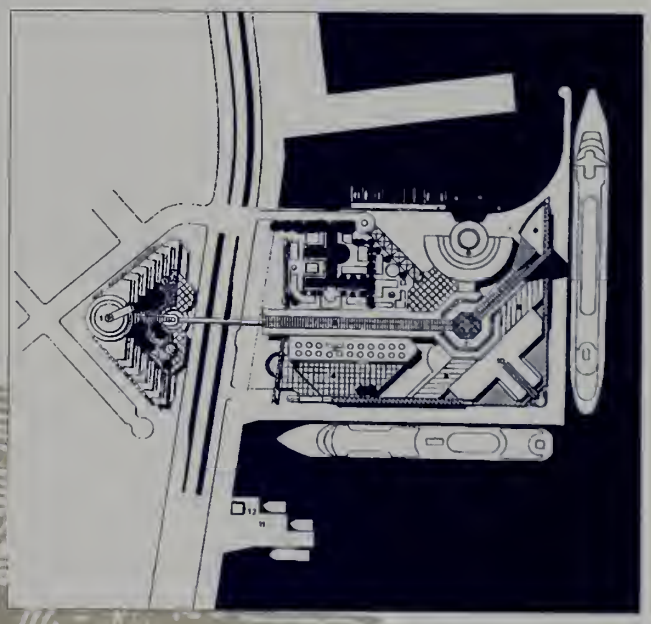
Phase II, recently approved for a grant from the California Transportation Commission under the Clean Air Act, is a $5.8 million project for the seismic retrofit of the pier. It provides funds for the Port to replace the existing ferry dock, upgrade the seawall/pier connection, build terminal facilities, and improve signage throughout the Ferry Building area.

Waterfront Transportation Projects

Progress continues in the four City-sponsored Embarcadero transit and roadway projects. The Port Commission certified final environmental findings on the South Embarcadero section of the roadway and Muni-Metro extension projects, allowing the City to go to final design. Construction on the section between King and Folsom Streets is expected to begin in the summer of 1992.

Further action on the Muni-Metro Turnback Facility and "F" Line Historic Streetcar projects in the central and northern waterfront is expected to be delayed pending City decisions on the Embarcadero Freeway Replacement Project. The Port is actively participating in this effort since the Ferry Building is expected to be the focal point for a possible new pedestrian plaza.





Developing a well planned, accessible waterfront is our priority

When the Port completed its Strategic Plan in 1990, the need for a long-term, comprehensive waterfront land-use plan became evident. Proposition H, passed by the voters that same year, requires the Port to complete such a plan before proceeding with any further commercial development. Early in 1991, a 27-member Waterfront Plan Advisory Board was created to assess the current situation, identify long-term issues, recommend policies, and assist the Port in the development of the Waterfront Plan.

The Advisory Board consists of appointees of the Board of Supervisors, the Mayor, and the Port Commission, representing city government, regulatory agencies, maritime industries, citizen groups, and other Port users. Bob Tufts is the chair. The Board held its first meeting in July 1991.

In 1991, members were given orientation briefings about the Port, regulatory processes, past and current projects, and existing waterfront usage. The Advisory Board has now moved into the three-phase waterfront planning process outlined below.

Phase I: Shipping and Water-dependent Industries

The Advisory Board will begin by examining the land requirements of water-dependent waterfront industries, including shipping, fishing, ship repair, passenger service, recreational boating, and historic vessels. The process includes a thorough examination of existing businesses, the development of industry "profiles," an analysis of growth potential for existing and new industries, and identification of collective needs for support services and infrastructure.

"Industrial" and "Commercial and Recreational" sub-committees have been created to conduct this review process. This is designed to combine industries with common types of needs to facilitate the identification of issues. Committee meetings will include presentation of staff research, roundtable discussions with key industry representatives, and public discussion.

Phase II: Other Non-maritime Uses

Once the Advisory Board has completed their water-dependent industry analysis, the focus will turn to other possible uses of Port land. Phase II will focus on land that was not reserved for water-dependent uses during Phase I. Opportunities for open space, recreational facilities, and general public access will be addressed, as will commercial recreation uses such as restaurants, retail, parking, and transportation, and existing uses such as offices. It is anticipated that a similar analysis process will be applied as in Phase I.

Phase III: Integration

The Waterfront Plan Advisory Board will complete the process by analyzing the two components of the preliminary plan produced during Phases I and II. Land use recommendations will be evaluated for overall compatibility, regulatory compliance, financial feasibility, and environmental impacts.

Adjustments will be made, as necessary, to ensure an integrated, well-planned, and implementable draft land use proposal. The goal is for the final plan to balance the needs of the Port tenants and maritime industries, the adjacent neighborhoods, and the general public, given the financial and legal realities of the City and the Port.

The Waterfront Plan developed from this evaluation process will be submitted to the Port Commission for approval. The process is expected to take until 1993 to complete.

Responsible For Creating A Balanced And Diverse Waterfront Everyone Can Be Proud Of, Mindful Of Tradition While Looking Toward Tomorrow.

- Achieving integrated and well-planned development.
- Committed to Attracting Increased Shipping And International Trade.
- Responsive to customers and the public.
- Financially sound and resourceful.
- Enhancing organizational efficiency, effectiveness and employee participation.
- Providing economic benefits.
- Committed to the development of water-dependent industries.
- Providing public access and recreation.

Creating A Balanced

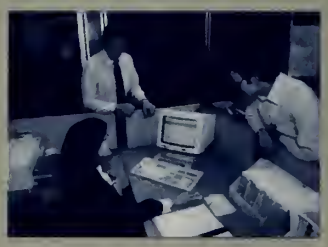
And Diverse Waterfront

Everyone Can Be Proud Of.

Mindful Of Tradition While

Looking Toward Tomorrow.

Efficient management means customer satisfaction



For Internal Services, the focus was on reorganization and improving the services provided to other Port Divisions and to individual employees. The Division's five specialized departments provide day-to-day administrative support:

- Personnel includes human resource administration, affirmative action/equal opportunity, training, and safety programs.
- MIS includes systems training, programming support, and hardware and database administration.
- Maintenance keeps up the infrastructure and public areas.
- Business Services includes purchasing, inventory management, mail, and receptionist services.
- Accounting administers accounts payable, general ledger, revenues, and payroll.

Human Resource Management

As part of ongoing efforts to provide economic benefit to the City, the Port continued its focus on providing opportunities for small/disadvantaged businesses. During the last fiscal year, 48.4% of the Port's available contract dollars went to local minority and women-owned firms.

The Port's Disadvantaged Business Enterprise Program encourages involvement of locally owned small firms by requiring developers to break projects into tasks that can be shared with small/disadvantaged firms and to report the percentage involvement of such firms throughout all projects.

Oracle Computer Project

The Port will be installing a new computer system in 1992. The Oracle Relational Database Management System of the new DEC "RISC" (reduced instruction system code) computer will replace the existing antiquated mini computer system.

Designed to assist managers, the new system will streamline existing operations and allow the Port system to link with other City systems, a capability which has been unavailable in the past.

The installation will be accomplished by Oracle Corporation and the Port's MIS staff.

The new system is expected to be fully on-line within two years.

THE HONORABLE EDWARD HARRINGTON, CONTROLLER,
CITY AND COUNTY OF SAN FRANCISCO

We have audited the accompanying balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1991 and 1990, and the related statements of operations, equity, and cash flows for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong
Tomei and Chu
Certified Public Accountants

October 2, 1991

BALANCE SHEET

Years Ended June 30, 1991 and 1990 (in thousands)

ASSETS	1991	1990
Current Assets:		
Cash and investments, principally in City Treasury -		
Port operating fund	**$20,343**	$21,401
Receivables	**7,455**	9,206
Materials and supplies	**1,375**	1,418
Prepaid insurance and other assets	**922**	887
Total Current Assets	**30,095**	32,912
Restricted Assets:		
Cash and short-term investments:		
Capital outlay	**12,972**	14,451
Bond interest and redemption	**10,486**	9,901
Lessee deposits held in trust	**1,800**	1,533
Total Restricted Assets	**25,258**	25,885
Property, Plant, and Equipment - Net	**189,543**	190,927
Long-Term Receivable	**552**	493
TOTAL ASSETS	**$245,448**	$250,217

LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$8,997**	$8,381
Current maturities of long-term debt	**3,760**	3,325
Accrued bond interest payable	**175**	195
Total Current Liabilities	**12,932**	11,901
Payable from Restricted Assets:		
Accrued bond interest payable	**2,448**	2,489
Lessee deposits	**1,800**	1,533
Deferred grants	**44**	143
Total payable from restricted assets	**4,292**	4,165
Deferred Revenue	**419**	335
Long-Term Debt - Net of current maturities	**71,138**	74,797
Total Liabilities	**88,781**	91,198
Equity:		
Contributed capital	**19,294**	18,156
Revaluation of property	**56,063**	56,063
Retained earnings	**81,310**	84,800
Total Equity	**156,667**	159,019
TOTAL LIABILITIES AND EQUITY	**$245,448**	$250,217

The accompanying notes are an integral part of this statement.

STATEMENT OF OPERATIONS

Years Ended June 30, 1991 and 1990 (in thousands)

	1991	1990
Operating Revenues:		
Property rentals - commercial	**$18,880**	$16,910
Property rentals - maritime	**6,018**	4,793
Wharfage, dockage, and demurrage	**6,983**	6,676
Commercial power	**992**	869
Other	**251**	362
Total Operating Revenues	**33,124**	29,610
Operating Expenses:		
Operations	**11,574**	10,793
Maintenance	**12,574**	10,137
Depreciation	**5,114**	4,877
Commercial power	**794**	695
Fire boat operations	**1,295**	1,309
Total Operating Expenses	**31,351**	27,811
Operating Income	**1,773**	1,799
Other Income (Expense):		
Interest income	**2,329**	2,800
Interest expense	**(4,479)**	(4,558)
Earthquake damages and expenses	**(535)**	(4,225)
Federal and state earthquake assistance	**535**	4,225
Litigation settlement	**(3,115)**	
Other	**2**	
Total Other Income (Expense)	**(5,263)**	(1,758)
NET (LOSS) INCOME	**($3,490)**	$41

STATEMENT OF EQUITY

Years Ended June 30, 1991 and 1990 (in thousands)

	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
Balances as of June 30, 1989	$15,793	$56,063	$84,759	$156,615
Capital grants	2,363			2,363
Net income for the year ended June 30, 1990			41	41
Balances as of June 30, 1990	18,156	56,063	84,800	159,019
Capital grants	1,138			1,138
Net loss for the year ended June 30, 1991			(3,490)	(3,490)
Balances as June 30, 1991	$19,294	$56,063	$81,310	$156,667

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

Years Ended June 30, 1991 and 1990 (in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	1991	1990
Operating income	$1,773	$1,799
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	5,114	4,877
Provision for uncollectible accounts	203	(57)
Net deferral (recognition) of deferred revenue	84	(107)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(558)	(305)
Materials and supplies	43	(108)
Prepaid insurance and other assets	(35)	178
Increase in:		
Accounts payable and accrued liabilities	1,310	807
Net cash provided by operating activities	7,934	7,084
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Litigation settlement	(3,115)	
Proceeds from disaster assistance	1,009	1,077
Earthquake damages and expenses	(1,229)	(1,399)
Net cash used for noncapital financing activities	(3,335)	(322)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(3,313)	(8,191)
Capital grants received	2,548	271
Principal payments on long-term debt	(3,325)	(3,715)
Interest payments on long-term debt	(6,089)	(6,273)
Interest income capitalized	1,233	1,500
Proceeds on sale of property and equipment	2	
Net cash used for capital financing activities	(8,944)	(16,408)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in restricted cash and investments	894	2,140
Interest income received	2,393	2,671
Net cash provided by investing activities	3,287	4,811
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,058)	(4,835)
CASH AND CASH EQUIVALENTS:		
Beginning of year	21,401	26,236
End of year	$20,343	$21,401

The accompanying notes are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived from both commercial rental and maritime operations. All of the Port's tenants, and substantially all of its other customers, are located in the City.

Materials and Supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Property, Plant and Equipment

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of a lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such tax-exempt borrowings, is capitalized from the date of borrowing through the construction period.

Statement of Cash Flows:

The Port has adopted the provisions of Statement No. 9 of the Governmental Accounting Standards Board "Reporting Cash Flows of Proprietary . . .Entities That Use Proprietary Fund Accounting." Accordingly, the Port has presented a statement of cash flows for the year ended June 30, 1991, and has restated the previously issued statement of changes in financial position for the year ended June 30, 1990.

For purposes of the statement of cash flows, all unrestricted cash and highly liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents.

NOTE 2 - CASH AND INVESTMENTS:

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1991 and 1990, cash and investments held by trustees include $10,486,000 and $9,901,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1991 and 1990, lessee deposits held in trust include $858,000 and $637,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

NOTE 3 - RECEIVABLES:

At June 30, 1991 and 1990, receivables consisted of:

	1991 (In Thousands)	1990 (In Thousands)
Trade accounts receivable	**$2,988**	$2,324
Less allowance for doubtful accounts	**327**	124
	2,661	2,200
City and County of San Francisco - grants	**815**	2,288
City and County of San Francisco - general	**32**	130
Accrued interest receivable	**824**	947
Accrued revenue and other receivables	**161**	169
Grants receivable	**288**	324
Federal and state disaster assistance receivable	**2,674**	3,148
	$7,455	$9,206

As discussed in Note 12, the federal and state disaster assistance receivable represents the excess of approved federal and state assistance relating to the Loma Prieta earthquake over amounts received.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1991 and 1990, property, plant and equipment consisted of:

	1991 (In thousands)	1990 (In thousands)	Estimated Useful Life (Years)
Land and land improvements	**$113,136**	$112,960	
Buildings, structures and related improvements	**171,341**	161,718	5 - 59
Equipment	**3,921**	3,924	5 - 25
Total	**288,398**	278,602	
Less accumulated depreciation	**(101,847)**	(97,043)	
Net	**186,551**	181,559	
Construction work in progress	**2,992**	9,368	
Total	**$189,543**	$190,927	

Total interest cost was $6,129,000 and $6,322,000 for fiscal years 1991 and 1990, of which $1,650,000 and $1,764,000 was capitalized, respectively. Total interest earned was $3,562,000 and $4,300,000 for fiscal years 1991 and 1990, of which $1,233,000 and $1,500,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $58,900,000 and $53,700,000 at June 30, 1991 and 1990, respectively.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

At June 30, 1991 and 1990, accounts payable and accrued liabilities consisted of:

	1991 (In Thousands)	1990 (In Thousands)
Accounts payable	$1,456	$969
Due to the City and County of San Francisco	1,744	1,194
Accrued liabilities	816	558
Accrued payroll and related costs	2,849	2,834
Accrued earthquake related expenses	2,132	2,826
	$8,997	$8,381

NOTE 6 - LONG-TERM DEBT:

At June 30, 1991 and 1990, long-term debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1991 (In thousands)	Balance 1990 (In thousands)
General Obligation Bonds:				
State of California:				
Fifth Seawall 1958, Series B, F, G, and H	1.00-4.85	1999	**$6,110**	$7,170
City and County of San Francisco - Harbor Improvement 1971:				
Series A	4.5-5.25	2003	**9,600**	10,400
Series B	6.0-6.3	2005	**5,600**	6,000
Total General Obligation Bonds			**21,310**	23,570
Revenue Bonds:				
Series A 1969	7.0-7.2	1999	**$7,300**	$7,800
Series B 1971	5.5	2001	**5,625**	5,950
Series C 1984	9.5-11.5	2009	**41,905**	42,145
Total Revenue Bonds			**54,830**	55,895
Total Long Term-Debt			**76,140**	79,465
Less:				
Current maturities			**3,760**	3,325
Unamortized discount - Revenue Bond Series C			**1,242**	1,343
Net Long-Term Debt			**$71,138**	$74,797

The bonds mature as follows:

Year Ending June 30: (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1992	$1,055	$1,200	$1,505	$3,760
1993	1,055	1,200	1,595	3,850
1994	1,055	1,200	1,755	4,010
1995	1,045	1,200	1,925	4,170
1996	670	1,200	2,120	3,990
Thereafter	1,230	9,200	45,930	56,360
Total	$6,110	$15,200	$54,830	$76,140

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At both June 30, 1991 and 1990, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000.

NOTE 7 - OPERATING REVENUES - PROPERTY RENTALS:

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1991 (In thousands)	1990 (In thousands)
Minimum rentals	**$20,898**	$18,013
Percentage rentals	**4,000**	3,690
	$24,898	$21,703

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30: (In thousands)	
1992	$11,632
1993	10,415
1994	9,307
1995	8,844
1996	8,408
Thereafter	207,286
Total	$255,892

The approximate cost of property subject to operating leases and property held for lease at June 30, 1991 consisted of:

	(In thousands)
Land and Land improvements	$47,000
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $90,000)	63,000
Total	$110,000

NOTE 8 - EMPLOYEE BENEFIT PLANS:

Retirement Plans:

a. City and County of San Francisco:

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers the majority of all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions, and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000.

The latest actuarial valuation of the Retirement System was completed on December 11, 1990 by the actuarial firm of Milliman & Robertson, Inc. and was based upon employee data and asset information as of June 30, 1990. The significant economic assumptions used in the valuation were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6%, annual consumer price index increases of 5%, and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1990 and includes substantially all City fund groups:

	(In Millions)
Pension benefit obligation	$4,973
Net assets available for benefits at cost (market value $4,218)	3,951
Unfunded pension benefit obligation	$1,022

The City (including the Port) met the actuarially determined contribution requirements for the years ended June 30, 1991 and 1990. Pension costs relating to the Port were $1,381,000 and $1,445,000 for 1991 and 1990, respectively.

b. State of California:

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consul%tants and adopted by the Board of Administration.

The Port's contributions to PERS totalled approximately $13,000 and $20,000 for 1991 and 1990, respectively. The City's Office of the Controller Comprehensive Annual Financial Report contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $191,000 and $210,000 for 1991 and 1990, respectively.

Health Care Benefits - Retired Employees:

The Port provides health care benefits for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age. Those benefits, and similar benefits for active employees, are provided through the City's Health Care System. The Port recognizes the cost of providing the benefits by expensing the annual insurance premiums, which were approximately $381,000 and $346,000 for the years ended June 30, 1991 and 1990, respectively. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees.

NOTE 9 - RELATED PARTY TRANSACTIONS:

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $3,622,000 in 1991 and $3,500,000 in 1990. Services provided, included in operating revenue, amounted to approximately $529,000 and $572,000 in 1991 and 1990, respectively. Receivables and payables relating to such transactions are disclosed in Notes 3 and 5, respectively.

NOTE 10 - COMMITMENTS, LITIGATION AND CONTINGENCIES:

Commitments

The Port is presently planning various development projects which involve a commitment to expend significant funds. The Port had firm purchase commitments at June 30, 1991 for approximately $5,285,000 for capital projects and $453,000 for general operations.

Litigation

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

Contingencies

Certain grants that the Port receives are subject to audit and final acceptance by the granting agency based upon their review of costs incurred.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

Concentration of credit risk: The Port leases facilities (commercial and maritime) to businesses, substantially all of which are located in San Francisco. The trade accounts receivable relate to such activities.

NOTE 11 - LITIGATION SETTLEMENT:

In December 1985, the Port filed a declaratory relief action requesting the court to determine that the Port had legally terminated an agreement with a property developer. The developer cross-complained against the Port, seeking damages in excess of $9 million. In 1991, the Port paid $3 million to the developer in settlement of the litigation. The Port also incurred $115,000 of legal expenses in 1991 related to the litigation and settlement.

NOTE 12 - EARTHQUAKE DAMAGES:

The Port suffered damage from the Loma Prieta earthquake which occurred October 17, 1989. All damaged property and infrastructure have been identified. The Port expects to repair all earthquake-related damages, which is currently estimated to total $4,760,000. As of June 30, 1991, $2,628,000 has been expended. These estimates do not include costs relating to seismic upgrades, retrofitting or other improvements.

The Port has been granted $4,760,000 in Federal and state emergency assistance of which $2,086,000 has been received to date. The Port has recorded a receivable in the amount of $2,674,000 which represents the amount of approved Federal and state assistance which the Port intends to utilize to repair and replace its property and infrastructure, less amounts received to date.

Year In Review

▲ Port Engineers display Pier 7 Design Award

◀ 1992 Whaleboat Races honoring Operation Desert Storm

▼ Coming down . . . at last

ANNUAL REPORT 1991

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1992

THE PORT OF SAN FRANCISCO

WHARFSIDE

1992 ANNUAL REPORT

MILESTONES

Sagres arrives for Quincentennial

Embarcadero transportation improvements begin

San Francisco and Keelung become Sister ports

Neighbors enjoy Ferry Plaza Harvest Market

Shipyard Training Center

This annual report is dedicated
to the memory of Port Employees

Terry S. Hamid

Tony Miller

Jeanette Williams

For the San Francisco Port Commission, 1992 was a year of beginnings, a year of new challenges and new projects.

Two new Commissioners joined us this summer, Francis J. O'Neill, President and CEO of Menlo-O'Neill Associates, and Ming Chang-O'Brien, Vice President of Swiss Bank. Both bring to the table solid international business experience, new perspectives on priorities for the waterfront, and a great deal of energy and enthusiasm.

We said goodbye to Dr. Arthur Coleman, who left the Commission after 12 years, and to President James Bouskos. Their legacy remains: Continuing their commitment to open up business opportunities for minority and disadvantaged small businesses, the Commission awarded the $7 million contract for improvements at Pier 80 to a minority joint venture, and the contract to manage special events at Pier 35 went to Waterfront Productions, a minority-owned business.

Business development has taken us to the far corners of the globe. Commissioners represented the Port in Osaka for the 25th Anniversary of our sister port relationship, walked the halls of Congress seeking support for dredging and ship repair, and ventured to China, Hong Kong, the Philippines and Taiwan to visit long-time customers and generate new contacts.

We continue to move forward under the concepts of the 1990 Strategic Plan. We approved the $100 million long-term Capital Plan, designed to give the Port the infrastructure necessary to remain competitive well into the next century. The 1991 staff reorganization plan was funded this fiscal year, a sound business decision which increases responsiveness to customer needs.

We have tackled controversial decisions, always attempting to apply a dose of pragmatism to the process. Our diversity becomes our strength as we deal with issues like these, as one of us inevitably emerges as a consensus-builder, hearing the concerns of all and developing a workable solution.

We remain committed to building a Port for the future.

Doug Wong, President

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Francis J. O'Neill
Douglas F. Wong, President
Michael P. Huerta
James R. Herman, V.P.
Anne W. Halsted
Ming Chang-O'Brien

The Port of San Francisco is, above all, people. The ships, the cranes, the trucks, the warehouses, the businesses, and the piers are nothing without the people who make them work. The restaurants, stores, offices, marinas, and parks would sit empty without people to use and enjoy them.

Port people range from residents and tourists who are "just visiting" to highly-trained, technical professionals performing intricate tasks. They are a diverse mixture of colors, creeds, and nationalities, with a wide range of special interests. They include the citizens of the Waterfront Plan Advisory Board who are planning our future and Friends of the Port, who sponsored a successful series of free public boat tours and who continue efforts to educate and inform people about the Port.

Port people make things happen. In 1992 we created the Port's first Capital Plan, we completed the North Ferry Terminal, we supported the first shipyard training school, and we broke ground on improvements to the North Container Terminal and the Embarcadero. With the reorganization, we hired new staff in leasing, marketing, and property management and implemented aggressive programs to develop new business. We even weathered the ups and downs of the economy.

Port people pull together. The threatened state diversion of port revenues and the the passage of an anti-gambling bill which directly affects our cruise business encouraged us to build coalitions with other California ports and maritime industries. We continue to work cooperatively with industry, elected officials, and other ports to ensure that maritime industry issues such as ship repair subsidies, freight transportation projects and dredging are incorporated into national policy as well as funding programs.

Because people are our greatest asset, in this year's annual report we give you the opportunity to see our projects and initiatives through the eyes of the people who make them happen.

"We see some exciting prospects for the new year. There is interest in our properties, and our team of property managers and wharfingers is ready.

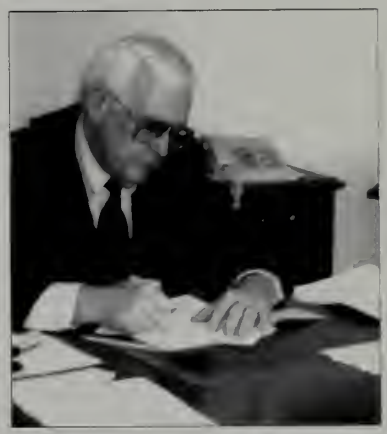
Our increased focus on customer service means direct involvement with tenants and special interest groups, particularly for Fisherman's Wharf, the cruise industry and ship repair. The clean-up of the Wharf area, the start of the ship repair training facility, and the efforts to get cruise legislation passed are all indications of our commitment to our tenants and these industries.

In '93 we expect to improve our marketing of all Port facilities, increase our level of service, continue repair work at Pier 45, and improve the appearance of the waterfront."

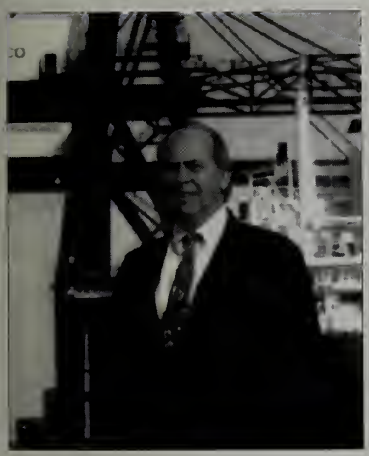
Mike Janis , Director, Tenant Services

"My team gives the Port staff the tools to work. This year, in addtion to routine business support, we installed a new DEC computer, converted the General Ledger system to the Oracle system, trained all supervisors in the new personnel evaluation system, ran the City's Combined Charities Campaign, and maintained, repaired or replaced over 250,000 square feet of decking and roof surfaces and 42,000 feet of pile guards and roof gutters.

Our goals for '93 include expanding efforts to hire minority, women-owned and disadvantaged businesses for Port contracts, completing the installation of the entire Oracle financial system, establishing WordPerfect as the standard word processing system, reviewing the Port's phone system, and upgrading pier substructures and roofs, as time and resources permit."



Jack Conrad, Director, Internal Services



"Our success with the Nedlloyd hub operation has proven that we can handle intensive, high-volume traffic. In '92 we embarked on an aggressive capital improvement program to expand business opportunities for our customers and continue our high level of service. And in July we became the nation's third coffee futures exchange delivery port—a designation which will offer the coffee trade increased opportunities in San Francisco.

We are excited about the prospects for the future, and we plan to take advantage of these opportunities in '93. Following up on the first-ever Bay Area Latin America Trade Fair which we sponsored in '92, we will expand our Latin American marketing efforts. Evergreen line will be adding new, larger ships this spring, and we seek additional new business in our strong markets in the Far East. Rail access improvement projects, including the rail bridge connecting the container terminals and the tunnel project continue to be high priorities for the Port."

Roger Peters, Director, Cargo Services

"After an exhausting year of research and debate, we ended Phase I of the Waterfront Plan by reserving land to accommodate the future needs of water-dependent uses. Our challenge for '93 will be to determine what other uses are appropriate for the waterfront and how best to integrate them with maritime activities.

We also addressed current needs by constructing the first phase of ferry terminal improvements at Pier 1[illegible]2, winning support for crucial funding for earthquake repairs at Pier 45, and breaking ground on the Waterfront Transportation Projects along the Embarcadero. Our new Regulatory and Environmental Affairs Unit tackled a host of vital projects, including dredging permits, [illegible] control, asbestos abatement, and accident and illness prevention. With much of the planning and funding [illegible] in place, we expect an even more "constructive" year in '93."

Keri Lung, Director, Planning and Community Affairs

"I managed the design process for this project and, through the construction phase, I serve as the admin engineer. In addition to handling the routine submittals and approvals, I act as a consulting engineer, responding to unforseen conditions which develop as the project unfolds. It is a constantly changing process, and that's part of what I like about being involved in projects. In addition to the Pier 80 project, I'm also working on the Port's dredging and raising the two cranes at Pier 94 to handle larger ships. No two days are ever the same.

The improvements are occuring at an active marine terminal, requiring close coordination between the contractor and the terminal operator to avoid disruptions to either's schedules. The Project was designed in phases so that we could work around ship schedules... and so far it has been effective. We were ahead of schedule in November, but with nearly a month of rain, things have slowed down. How much this will affect our target completion date of early summer will depend on what happens the rest of the winter.

From an engineering standpoint this project was needed to repair the infrastructure, and from the cargo management standpoint this project allows us to increase container terminal throughput. You might say the Port is killing two projects for the price of one!

We're all proud of the work the Port is doing to keep our customers happy."

John Kellogg, Project Engineer, Pier 80

John Kellogg, Senior Port Civil Engineer
Years with Port: 17
Previous Experience: Hetch Hetchy; California Division of Bay Toll Crossings
Degree: BSCE, San Jose State
Hometown: Mill Valley
Philosophy: "The best revenge is to live well."

Mandy Joslin, Manager, Fisherman's Wharf
Time with Port: 6 months
Previous Experience: Tourist area management and development
Degree: BA (Business), Central Washington
Hometown: Seattle, WA
Philosophy: "Have fun, do great work." (in that order)

"Fisherman's Wharf is one of the most well known tourist attractions in the world. Its world-class status deserves world-class attention. It's my goal to keep and enhance the true nature of the area — that means devotion to fish, the fishing industry, and the people who fish. I took this job because I believe the Wharf is a tremendous resource which can be commercially successful while providing information, education, and fun for millions of people.

There's so much to do that it is hard to take one thing at a time. My priorities include safety and protection of the environment for all who work and visit the area, as well as for the wildlife and sea creatures who inhabit the Wharf and its surroundings. As a Bay swimmer, I want to protect water quality by instituting a hazardous waste and recycling program. As Manager of Fisherman's Wharf I am charged with dealing with issues related to parking, traffic congestion, security, maintenance and repair, trash collection, and management of all Port properties on both land and water.

Management of Fisherman's Wharf is a team effort and I have Super Bowl quality people to help achieve our goals. Our purpose is to propel the Wharf into the next century and back into the hearts and minds of the people who have fond memories of this famous place. The history, the smells, the sounds of the Wharf are what inspire me as I make my rounds on my "Wharfmobile" scooter."

Mandy Joslin, Manager
Fisherman's Wharf

"Marketing maritime industries which range from the traditional, blue collar industrial world of ship repair to the glamorous world of international cruise lines requires a split personality. I have to feel as comfortable talking to a welder working on a ship in drydock as I am negotiating with a cruise line executive. It takes the cooperation of a lot of different kinds of people. I'll go just about anywhere to promote the Port's maritime interests.

The Ship Repair Survival Plan is now in place, working towards re-energizing the Port's repair business. One element of that plan, the nation's first Shipyard Training Center to be sponsored jointly by the labor unions and the shipyards, opened for business in September at Pier 70 to train workers in shipyard skills including boiler maintenance, carpentry, metal work and painting. "Education on the job" is the buzzword for the future.

In 1993 the Port is developing a marketing campaign to convince cruise lines that San Francisco continues to be an attractive port of call. We are also actively supporting state legislation in favor of gambling on regularly-scheduled passenger lines — a bill which will correct errors in last year's legislation which threatens all our foreign flag calls."

Marceline Therrien
Market Research Specialist

Marceline Therrien, Market Research Specialist
Time with Port: 6 months
Previous Experience: Morgan Stanley Japan (investment banking); tanker managemen
Degree: BS (Finance), Penn State
Hometown: State College, PA
Philosophy: "Try anything once, don't make the same mistake twice."

John Leonard, Electrician
Years with Port: 12
Previous Experience: 30 years in the shipyards
Hometown: San Francisco
Philosophy: "Here to serve."

Introducing Waterfront Promotions

"My wife Gail and I have been working in special events management for more than 25 years. We see Pier 35 as an exciting, high-potential area for parties, dinners, receptions, trade shows, festivals, art exhibits, and charity events. The views from the upper gallery are among the best along the waterfront, and the building has so much space that it provides the creative party designer with a veritable cornucopia of possibilities.

San Franciscans love parties and they love the waterfront. Pier 35 gives them both. We are excited about the opportunities that this new assignment offers, and we look forward to hosting everyone at Pier 35."

Wayne Beaubian, Manager, Pier 35 Special Events

THE TOWER

"I'm the [illegible] the mysterious figu[illegible] sionally notice on the [illegible] Building tower. My job is [illegible] antiquated 175-lamp lighti[illegible] running. It's a challenge to keep [illegible] tower lit on all four sides, and it's [illegible] responsibility I take very seriously becau[illegible] the tower is a symbol of the Port.

As the Ferry Building approaches its centennial, I am hoping that we will be able to do some projects that will return the tower to its original splendor. The clock dial illumination system is in serious need of an upgrade, and, for historical accuracy, the beacon at the base of the flagpole which was destroyed in the Loma Prieta earthquake should be replaced.

One of the side benefits of this job is that I am the one who controls the chimes in the tower. We run the Westminster/Big Ben chimes daily from 8 a.m. to 10 p.m. and at noon and 5 p.m. the carillon plays three songs. We have a wide selection to choose from, and I try to match the music to the season. We do take requests.

Being up in the tower has provided some interesting moments. Recently someone called the fire department because they thought I was threatening to jump. Please don't be alarmed if you see someone up on the tower. It's only me doing my job."

John Leonard, Electrician

CAPITAL PLAN

"In this era of reduced funding for public projects, figuring out how to do more with less has become a way of life. In addition to balancing the annual operating budget, planning for capital projects—the expensive projects whose useful lives span several years—is an ongoing challenge. Without a Capital Plan we had no clear direction for the use of the Port's limited resources.

Developing the Capital Plan gave us the opportunity to look at the entire list of projects and to try to make sense out of it. We reviewed, evaluated, and prioritized them all. It was a time-consuming and sometimes agonizing process, but everyone agreed that it was well worth the effort.

We now have a five-year Capital Plan that includes project descriptions, justifications, cost estimates, funding sources, and a policy statement on how the whole thing is to be managed. And capital planning at the Port has gone from a vague idea to a routine process where the Plan is updated and approved quarterly by the Port Commission. We designed the process to be adaptable to changing circumstances. The plan will change over time to reflect new needs and priorities, but the process should survive."

Ben Kutnick, Finance Manager

Ben Kutnick, Finance Manager
Years with Port: 11
Previous Experience: City of SF; Leal Electric; Spreckels Sugar; RCA; Boise Cascade
Degree: BS (Accounting), SF State
Hometown: San Francisco
Philosophy: "If you can make it work in government, it'll work anywhere."

Pearl Chan, Accounting Manager
Years with Port: 6
Previous Experience: 16 years with City of SF (Controller, Public Administrator/ Guardian)
Degree: BS (Accounting), Golden Gate
Hometown: Honolulu
Philosophy: "Trust in people's abilities -- they can surprise you in a positive way."

ORACLE

"The Port's is the first City department installing the Oracle financial systems. Our General Ledger System was converted to Oracle in November, and we hope to have Accounts Payable and Purchasing online in 93. The rest of the City will not be online until 1995!

Oracle's system is a relational database designed to enable all City Departments to standardize procedures and to talk to each other. The benefits come primarily at the management level. Managers will be able to get timely, accurate data and reports at a variety of levels. At the accounting level, we won't have to type some documents any more, but more detailed data entry will be required.

With only General Ledger installed, we don't yet have the full picture of how the system is doing. We still have all the old subsystems online to provide supporting information. My personal challenge throughout this process is making sure we get it right. Garbage in means garbage out, so we're concentrating on quality first. I have a good staff who is dedicated to making this work."

Pearl Chan, Accounting Manager

PLANNING

"As a secretary for the Planning Division I get involved in a variety of projects. I see our role as working hand-in-hand with consultants and the general public—we're the link that turns ideas into actions.

In my job I deal with the public daily. I answer general inquiries, and I've noticed that sometimes when people call they're not really sure what they want. I can make a difference. I can listen to what they're describing and refer them to the correct person or department. I enjoy the interface, plus it gives me a chance to talk about the Port.

I serve as the Port Shop Steward for Local 790 of the Service Employees International Union. This job also gives me the chance to interface with people, to step in and solve problems before they get out of hand. It's very rewarding. I'm so interested in labor relations that I am now working toward a degree in it at Laney College and City College.

If I could pick one event in 1992 that represents the Port, it would be the ceremony for the signing of the contract with the National Shipping Company of the Philippines. Employees dressed up in their Philippine finery and participated in the ceremony. It really brought home the fact that we have a diverse cultural mixture working here."

Patricia Jackson, Secretary

Pat Jackson, Secretary
Years With Port: 18
Previous Experience: Bechtel, Pacific Maritime
Hometown: Hattiesburg, MS
Philosophy: "Believe in yourself, but leave room for improvement."

Joe Wyman, Planner
Years with Port: 3
Previous Experience: Planner with Berkeley, CA, Hardin Corp.; and Austin, TX
Degree: BA (Government) and MS (Community & Regional Planning), Univ. of Texas
Hometown: Dallas, TX
Philosophy: "Do unto others as you'd have them do unto you, but check their schedules to make sure they're on the same page you are."

FERRY TERMINAL

"My most memorable accomplishment for 1992 was completing phase one of the North Ferry Terminal, a project which involved CalTrans, the Port Engineering Department, and the ferry operators. With this—and the marketing efforts by the operators—we've seen continued growth in the number of all types of ferry passengers. The Metropolitan Transportation Commission (MTC) approved a Regional Ferry Plan this fall which outlines some of the transportation programs and capital developments necessary in the next 10 years. I became a financier and used the MTC Plan to help obtain more than $6 million in new funding. We now have the chance to complete the north terminal facilities and examine methods for linking the north terminal with Ferry Plaza, or a long term goal of the Port, restoration of the Ferry Building.

One of the exciting things coming out of the MTC Plan is a focus on regional cooperation and creation of a combined "identity" for all Bay Area ferry operators. An operator's consortium will begin meeting this year to look at long term issues, and our Wharfinger will confer monthly with all operators to identify and resolve problems. Things are under control, so maybe I can think off for a little while [illegible]"

Joe Wyman, Project Manager

"The process is going well, although sometimes it seems too slow. We have finished the easy part of the process... the waterfront uses fall naturally into place. The meaty—and sometimes perhaps controversial issues—are yet to come. Until we get into those discussions it is really hard to predict the final outcome. I'd like to see a good plan that the public will love."

Bob Tufts, Chairman, Waterfront Plan Advisory Board

"I see my role in this process as that of facilitator and technical support person to help produce a plan that we're proud to be a part of and one which can be implemented. As facilitator my job is to make sure that all the varied viewpoints of this diverse group are heard, and that any conflicts get resolved and consensus is reached. Public outreach is also my responsibility—to ensure that everyone gets a chance to participate in the planning process.

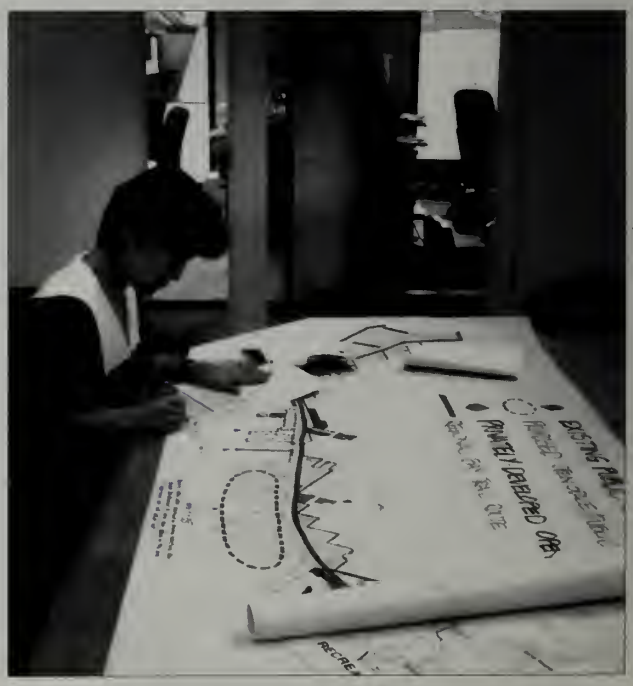
In terms of technical support, in addition to producing the materials for the Board, I see myself as providing a link with reality. We have to take note of what exists now and what is developing as we design for the future, particularly since there are a number of other groups simultaneously working on planning City projects on and near Port property."

Diane Oshima, Project Coordinator

The Waterfront Plan Advisory Board (WPAB), which was created in July 1991, consists of 27 appointees of the Board of Supervisors, the Mayor and the Port Commission. Members represent government, industries, neighborhood groups, environmental concerns, Port tenants and Port users.

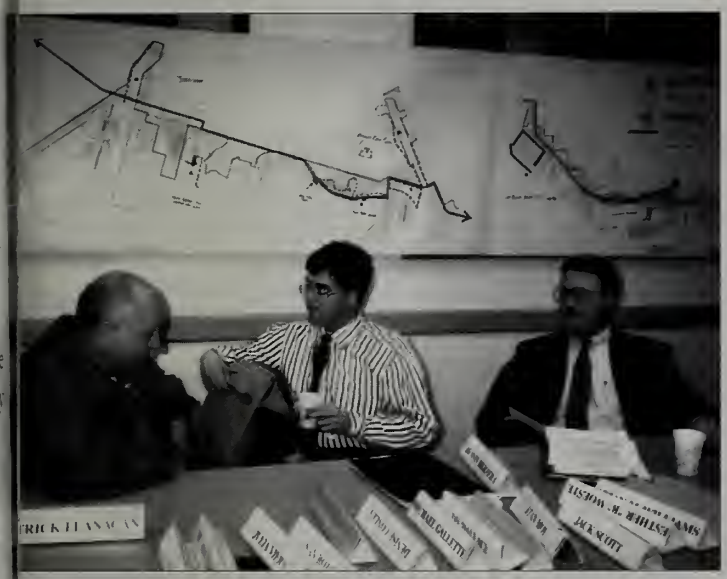
The WPAB was chartered to examine the current situation, identify long term issues, and make policy recommendations for waterfront land uses in areas under Port jurisdiction. Although Hunter's Point is not included in the area to be examined, WPAB members have had preliminary discussions about the area and are working informally with the Hunter's Point Citizens Advisory Committee.

A three-phase process is being conducted: Phase I, which was completed in late 1992, concentrated on water-dependent maritime industries and land uses.



Phase II, which is now underway, will identify the types of non-maritime uses that should be located along the waterfront. At the end of each of these phases, land uses will tentatively be designated for specific waterfront areas. During Phase III, the WPAB will integrate these preliminary designations, conduct a financial and economic impact analysis, and evaluate the recommendations for compatibility, regulatory compliance, and environmental impact.

The draft Waterfront Plan will go through a public review process before being submitted to the Port Commission for adoption. Target date for completion of the process is by the end of fiscal year 1993-94.



PHASE 1 REPORT

During Phase I Planning tentative land use designations were made for the following maritime uses:

- cargo related uses
- fishing related uses
- recreational boating and water uses
- ferry and excursion boat uses
- ship repair uses
- passenger cruise uses
- historic ship uses

Copies of the report on maritime land uses may be obtained by writing WPAB, Port of SF, 3100 Ferry Bldg. SF. CA 94111.

"I participated in the [illegible] to carry through with the project. [illegible] great deal about the extraordinary [illegible] legal, geographical, financial and [illegible] of the Port. I see the care that each [illegible] for the Port, and, as we develop a [illegible] that can be used by all San Franciscans, I hope [illegible] can find common ground — solutions that are [illegible] compromises we are unhappy with, but common ground that satisfies all."

Peter Moylan, San Francisco Tomorrow
Appointed by Roberta Achtenberg

"I bring a viewpoint strongly influenced by neighborhood and preservation concerns as well as the need to meet the community's expectations regarding making the waterfront more relevant to local user needs. I see this as a once in a lifetime opportunity to participate in a process that will lay the groundwork for the most dynamic waterfront in the world, and, hopefully, protect our waterfront from those who would exploit it. I envision a fully accessible waterfront that meets the needs of maritime users as well as maximizing cultural and recreational opportunities."

Nan Roth, Planner, Telegraph Hill Resident
Appointed by Supervisor Harry Britt

"My greatest hope is that we will be able to make the Port of San Francisco 'user friendly' for maritime business and industry, developers, residents and visitors. A first step would be adopting a Special Area Plan to remove the present multi-layered regulatory log-jam which discourages serious development proposals. Business has told us it must know at the outset what can be done, and when."

Julia Viera, retired realtor,
Friends of Islais Creek Channel
Appointed by Supervisor Doris Ward

"I have been a fisherman for 40 years, and I want to preserve and enhance maritime uses of the Port, including fishing. My vision for the waterfront is a port that [illegible] ity, bustling either with shipped goods or with people. We need an environment that is clean and will provide jobs [illegible] place to visit and come back to... along the ocean's edge."

Pat Flanagan,
owner, Standard Fisheries Corp.
Fisherman's Wharf Merchants Association
Appointed by Port Commission

THE HONORABLE EDWARD HARRINGTON, CONTROLLER,
CITY AND COUNTY OF SAN FRANCISCO

We have audited the accompanying balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1992 and 1991, and the related statements of operations, equity, and cash flows for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong
Tomei and Chu

October 1, 1992
San Francisco, CA

BALANCE SHEET

Years Ended June 30, 1992 and 1991 (in thousands)

ASSETS	1992	1991
Current Assets:		
Cash and investments, held in the City Treasury -		
Port operating fund	**$19,966**	$20,343
Receivables	**8,889**	7,455
Materials and supplies	**1,453**	1,375
Prepaid insurance and other assets	**918**	922
Total Current Assets	**31,226**	30,095
Restricted Assets:		
Cash and short-term investments:		
Capital outlay	**12,000**	12,972
Bond interest and redemption	**10,241**	10,486
Lessee deposits held in trust	**1,784**	1,800
Total Restricted Assets	**24,025**	25,258
Property, Plant, and Equipment - Net	**187,123**	189,543
Long-Term Receivable	**605**	552
TOTAL ASSETS	**$242,979**	$245,448

LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$7,819**	$8,997
Current maturities of long-term debt	**3,575**	3,760
Accrued bond interest payable	**153**	175
Total Current Liabilities	**11,547**	12,932
Payable from Restricted Assets:		
Accrued bond interest payable	**2,385**	2,448
Lessee deposits	**1,784**	1,800
Deferred grants	**75**	44
Total payable from restricted assets	**4,244**	4,292
Deferred Revenue	**321**	419
Long-Term Debt - Net of current maturities	**67,387**	71,138
Total Liabilities	**83,499**	88,781
Equity:		
Contributed capital	**20,132**	19,294
Revaluation of property	**56,063**	56,063
Retained earnings	**83,285**	81,310
Total Equity	**159,480**	156,667
TOTAL LIABILITIES AND EQUITY	**$242,979**	$245,448

The accompanying notes are an integral part of this statement.

STATEMENT OF OPERATIONS

Years Ended June 30, 1992 and 1991 (in thousands)

	1992	1991
Operating Revenues:		
Property rentals - commercial	**$18,549**	$18,880
Property rentals - maritime	**6,288**	6,018
Wharfage, dockage, and demurrage	**7,721**	6,983
Commercial power	**989**	992
Other	**435**	251
Total Operating Revenues	**33,982**	33,124
Operating Expenses:		
Operations	**12,704**	11,574
Maintenance	**10,445**	12,574
Depreciation	**4,644**	5,114
Commercial power	**791**	794
Fire boat operations	**1,187**	1,295
Total Operating Expenses	**29,771**	31,351
Operating Income	**4,211**	1,773
Other Income (Expense):		
Interest income	**2,147**	2,329
Interest expense	**(4,383)**	(4,479)
Earthquake damages and expenses	**(1,757)**	(535)
Federal and state earthquake assistance	**1,757**	535
Litigation settlement		(3,115)
Other		2
Total Other Income (Expense)	**(2,236)**	(5,263)
NET INCOME (LOSS)	**$1,975**	($3,490)

STATEMENT OF EQUITY

Years Ended June 30, 1992 and 1991 (in thousands)

	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
Balances as of June 30, 1990	$18,156	$56,063	$84,800	$159,019
Capital grants	1,138			1,138
Net loss for the year ended June 30, 1991			(3,490)	(3,490)
Balances as of June 30, 1991	19,294	56,063	81,310	156,667
Capital grants	838			838
Net income for the year ended June 30, 1992			1,975	1,975
Balances as June 30, 1992	$20,132	$56,063	$83,285	$159,480

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

Years Ended June 30, 1992 and 1991 (in thousands)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	**$4,211**	$1,773
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**4,644**	5,114
Provision for uncollectible accounts	**83**	203
Net deferral (recognition) of deferred revenue	**(98)**	84
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	**(990)**	(558)
Materials and supplies	**(78)**	43
Prepaid insurance and other assets	**4**	(35)
Increase in:		
Accounts payable and accrued liabilities	**(2,473)**	1,310
Net cash provided by operating activities	**5,303**	7,934
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Litigation settlement		(3,115)
Proceeds from disaster assistance	**782**	1,009
Earthquake damages and expenses	**(462)**	(1,229)
Net cash provided by (used for) noncapital financing activities	**320**	(3,335)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	**(1,690)**	(3,313)
Capital grants received	**1,183**	2,548
Principal payments on long-term debt	**(4,035)**	(3,325)
Interest payments on long-term debt	**(5,884)**	(6,089)
Interest income capitalized	**981**	1,233
Proceeds on sale of property and equipment		2
Net cash used for capital financing activities	**(9,445)**	(8,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in restricted cash and investments	**1,217**	894
Interest income received	**2,228**	2,393
Net cash provided by investing activities	**3,445**	3,287
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(377)**	(1,058)
CASH AND CASH EQUIVALENTS:		
Beginning of year	**20,343**	21,401
End of year	**$19,966**	$20,343

The accompanying notes are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived from both commercial rental and maritime operations. All of the Port's tenants, and substantially all of its other customers, are located in the City.

Materials and Supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Property, Plant and Equipment

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of a lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such tax-exempt borrowings, is capitalized from the date of borrowing through the construction period.

Statement of Cash Flows:

For purposes of the statement of cash flows, all unrestricted cash and highly liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents.

NOTE 2 - CASH AND INVESTMENTS:

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1992 and 1991, cash and investments held by trustees include $10,241,000 and $10,486,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1992 and 1991, lessee deposits held in trust include $970,000 and $858,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

NOTE 3 - RECEIVABLES:

At June 30, 1992 and 1991, receivables consisted of:

	1992 (In thousands)	1991 (In thousands)
Trade accounts receivable	**$3,902**	$2,988
Less allowance for doubtful accounts	**410**	327
	3,492	2,661
City and County of San Francisco - grants		815
City and County of San Francisco - general	**114**	32
Accrued interest receivable	**690**	824
Accrued revenue and other receivables	**155**	161
Grants receivable	**789**	288
Federal and state disaster assistance receivable	**3,649**	2,674
	$8,889	$7,455

As discussed in Note 12, the federal and state disaster assistance receivable represents the excess of approved federal and state assistance relating to the Loma Prieta earthquake over amounts received.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1992 and 1991, property, plant and equipment consisted of:

	1992 (In thousands)	1991 (In thousands)	Estimated Useful Life (Years)
Land and land improvements	**$113,136**	$113,136	
Buildings, structures and related improvements	**171,352**	171,341	5 - 59
Equipment	**4,149**	3,921	5 - 25
Total	**288,637**	288,398	
Less accumulated depreciation	**(106,325)**	(101,847)	
Net	**182,312**	186,551	
Construction work in progress	**4,811**	2,992	
Total	**$187,123**	$189,543	

Total interest cost was $5,898,000 and $6,129,000 for fiscal years 1992 and 1991, of which $1,515,000 and $1,650,000 was capitalized, respectively. Total interest earned was $3,128,000 and $3,562,000 for fiscal years 1992 and 1991, of which $981,000 and $1,233,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $65,700,000 and $58,900,000 at June 30, 1992 and 1991, respectively.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

At June 30, 1992 and 1991, accounts payable and accrued liabilities consisted of:

	1992 (In thousands)	1991
Accounts payable	**$1,052**	$1,456
Due to the City and County of San Francisco	**426**	1,744
Accrued liabilities	**846**	816
Accrued payroll and related costs	**2,068**	2,849
Accrued earthquake related expenses	**3,427**	2,132
	$7,819	$8,997

NOTE 6 - LONG-TERM DEBT:

At June 30, 1992 and 1991, long-term debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1992 (In thousands)	Balance 1991 (In thousands)
General Obligation Bonds:				
State of California:				
Fifth Seawall 1958, Series F, G, and H	2.50-4.85	1999	**$5,055**	$6,110
City and County of San Francisco - Harbor Improvement 1971:				
Series A	4.5-5.25	2003	**8,800**	9,600
Series B	6.3	2005	**5,200**	5,600
Total General Obligation Bonds			**19,055**	21,310
Revenue Bonds:				
Series A 1969	7.2	1999	**6,700**	7,300
Series B 1971	5.5	2001	**5,000**	5,625
Series C 1984	9.5-11.5	2009	**41,350**	41,905
Total Revenue Bonds			**53,050**	54,830
Total Long Term-Debt			**72,105**	76,140
Less:				
Current maturities			**3,575**	3,760
Unamortized discount - Revenue Bond Series C			**1,143**	1,242
Net Long-Term Debt			**$67,387**	$71,138

The bonds mature as follows:

Year Ending June 30: (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1993	1,055	1,200	1,320	3,575
1994	1,055	1,200	1,755	4,010
1995	1,045	1,200	1,925	4,170
1996	670	1,200	2,120	3,990
1997	660	1,200	2,455	4,315
Thereafter	570	8,000	43,475	52,045
Total	$5,055	$14,000	$53,050	$72,105

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At both June 30, 1992 and 1991, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000.

NOTE 7 - OPERATING REVENUES - PROPERTY RENTALS:

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1992	1991
	(In thousands)	(In thousands)
Minimum rentals	**$21,453**	$20,898
Percentage rentals	**3,384**	4,000
	$24,837	$24,898

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30:	
(In thousands)	
1993	$ 9,654
1994	9,337
1995	8,951
1996	8,544
1997	8,202
Thereafter	200,443
Total	$245,131

The approximate cost of property subject to operating leases and property held for lease at June 30, 1992 consisted of:

	(In thousands)
Land and Land improvements	$47,000
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $98,000)	59,000
Total	$106,000

NOTE 8 - EMPLOYEE BENEFIT PLANS:

Retirement Plans:

a. City and County of San Francisco:

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers the majority of all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions, and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000.

In November 1991 the voters approved proposition A, "The Early Retirement Program." Under the program, three years of age and three years of service were added when calculating the service retirement benefits for all miscellaneous members who elected to retire during the period February 1, 1992 through March 30, 1992. Approximately 1,800 City and County employees retired under the program.

NOTE 8 - EMPLOYEE BENEFIT PLANS: (Continued)

The latest actuarial valuation of the Plan was completed in February 1992 by the actuarial firm of Towers Perrin and was based upon employee data and asset information as of June 30, 1991. The significant economic assumptions used in the valuation were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6%, annual consumer price index increases of 5%, and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1991 and includes substantially all City fund groups:

	(In Millions)
Pension benefit obligation	$5,179
Net assets available for benefits at cost (market value $4,630)	4,393
Unfunded pension benefit obligation	$ 786

The impact of The Early Retirement Program will be reflected in the pension benefit obligation as of June 30, 1992, which will be disclosed in the June 30, 1993 financial statements.

The City (including the Port) met the actuarially determined contribution requirements for the years ended June 30, 1992 and 1991. Pension costs relating to the Port were $1,195,000 and $1,381,000 for 1992 and 1991, respectively.

b. State of California:

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the Board of Administration.

The Port's contributions to PERS totalled approximately $10,000 and $13,000 for 1992 and 1991, respectively. The City's Office of the Controller Comprehensive Annual Financial Report contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and income earned (until paid or made available to the employee or other beneficiary) are solely the property and rights of the City and County, subject only to the claims of the City and County's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the City and County in an amount equal to the fair market value of the deferred account for each participant.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $199,000 and $191,000 for 1992 and 1991, respectively.

Health Care Benefits - Retired Employees:

Health care benefits of Port employees, retired employees and surviving spouses are financed by beneficiaries and by the City and County through the City and County of San Francisco Health Service System, a nonexpendable trust fund. The Port's contribution, which amounted to approximately $448,000 and $381,000 in fiscal years 1992 and 1991, respectively, is determined by Charter provision based on similiar contributions made by the ten most populous counties in California. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees. The Port's liability for both current employee and post retirement health care benefits is limited to its annual contribution.

NOTE 9 - RELATED PARTY TRANSACTIONS:

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $3,622,000 in 1991. Services provided, included in operating revenue, amounted to approximately $570,000 and $529,000 in 1992 and 1991, respectively. Receivables and payables relating to such transactions are disclosed in Notes 3 and 5, respectively.

NOTE 10 - COMMITMENTS, LITIGATION AND CONTINGENCIES:

Commitments

The Port is presently planning various development projects which involve a commitment to expend significant funds. The Port had firm purchase commitments at June 30, 1992 for approximately $7,952,000 for capital projects and $1,529,000 f or general operations.

Litigation

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

Contingencies

Certain grants that the Port receives are subject to audit and final acceptance by the granting agency based upon their review of costs incurred.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

Concentration of credit risk: The Port leases facilities (commercial and maritime) to businesses, substantially all of which are located in San Francisco. The trade accounts receivable relate to such activities.

NOTE 11 - LITIGATION SETTLEMENT:

In December 1985, the Port filed a declaratory relief action requesting the court to determine that the Port had legally terminated an agreement with a property developer. The developer cross-complained against the Port, seeking damages in excess of $9 million. In 1991, the Port paid $3 million to the developer in settlement of the litigation. The Port also incurred $115,000 of legal expenses in 1991 related to the litigation and settlement.

NOTE 12 - EARTHQUAKE DAMAGES:

The Port suffered damage from the Loma Prieta earthquake which occurred October 17, 1989. All damaged property and infrastructure have been identified. The Port expects to repair all earthquake-related damages, which is currently estimated to total $6,517,000. As of June 30, 1992, $3,090,000 has been expended. These estimates do not include costs relating to seismic upgrades, retrofitting or other improvements.

The Port has been granted $6,517,000 in Federal and state emergency assistance of which $2,868,000 has been received to date. The Port has recorded a receivable in the amount of $3,649,000 which represents the amount of approved Federal and state assistance which the Port intends to utilize to repair and replace its property and infrastructure, less amounts received to date.

NOTE 13 - SUBSEQUENT EVENT:

In September 1992, the California State Legislature amended the Public Resources Code (The Code), enabling the City to transfer discretionary reserves from the Port to the City.

The Code defines discretionary reserves as the greater of (a) 25% of the Port's total current assets less total current liabilities ("working capital") reported in the most recent audited financial statements made public prior to June 30, 1992 and each year thereafter, or (b) $4 million. After the Port certifies the amount of discretionary reserves, the City has the option of transferring any or all of such reserves on or before March 31, 1993 and each March 31 thereafter until the provision is repealed. The provision will remain in effect only until June 30, 1994 and as of January 1, 1995 is repealed.

The amount available for transfer before March 31, 1993 would be the 25% of working capital as of June 30, 1991, or approximately $4.3 million. The 25% of working capital is approximately $4.9 million as of June 30, 1992. This amount would be available for transfer on or before March 31, 1994.

Wharfside
The Port of San Francisco
Ferry Building, Suite 3100
San Francisco, CA 94111

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PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 1992 AND 1991

Hood and Strong
certified public accountants

TOMEI & CHU
CERTIFIED PUBLIC ACCOUNTANTS

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 1992 AND 1991

PORT COMMISSION
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PORT OF SAN FRANCISCO

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AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 1992 AND 1991

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INDEPENDENT AUDITORS' REPORT

THE HONORABLE EDWARD HARRINGTON, CONTROLLER,
CITY AND COUNTY OF SAN FRANCISCO

We have audited the accompanying balance sheet of the **PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO** ("Port") as of June 30, 1992 and 1991, and the related statements of operations, equity, and cash flows for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Hood and Strong

Tomei & Chu

October 1, 1992

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
BALANCE SHEET
JUNE 30, 1992 AND 1991
(In thousands)

	1992	1991
ASSETS		
CURRENT ASSETS:		
Cash and investments, held in City Treasury - Port operating fund	$ 19,966	$ 20,343
Receivables	8,889	7,455
Materials and supplies	1,453	1,375
Prepaid insurance and other assets	918	922
Total Current Assets	31,226	30,095
RESTRICTED ASSETS:		
Cash and short-term investments:		
Capital outlay	12,000	12,972
Bond interest and redemption	10,241	10,486
Lessee deposits held in trust	1,784	1,800
Total Restricted Assets	24,025	25,258
PROPERTY, PLANT, AND EQUIPMENT - Net	187,123	189,543
LONG-TERM RECEIVABLE	605	552
TOTAL ASSETS	$242,979	$245,448
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 7,819	$ 8,997
Current maturities of long-term debt	3,575	3,760
Accrued bond interest payable	153	175
Total Current Liabilities	11,547	12,932
PAYABLE FROM RESTRICTED ASSETS:		
Accrued bond interest payable	2,385	2,448
Lessee deposits	1,784	1,800
Deferred grants	75	44
Total payable from restricted assets	4,244	4,292
DEFERRED REVENUE	321	419
LONG-TERM DEBT - Net of current maturities	67,387	71,138
Total Liabilities	83,499	88,781
EQUITY:		
Contributed capital	20,132	19,294
Revaluation of property	56,063	56,063
Retained earnings	83,285	81,310
Total Equity	159,480	156,667
TOTAL LIABILITIES AND EQUITY	$242,979	$245,448

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF OPERATIONS
YEARS ENDED JUNE 30, 1992 AND 1991
(In thousands)

	1992	1991
OPERATING REVENUES:		
Property rentals - commercial	$18,549	$18,880
Property rentals - maritime	6,288	6,018
Wharfage, dockage, and demurrage	7,721	6,983
Commercial power	989	992
Other	435	251
Total Operating Revenues	33,982	33,124
OPERATING EXPENSES:		
Operations	12,704	11,574
Maintenance	10,445	12,574
Depreciation	4,644	5,114
Commercial power	791	794
Fire boat operations	1,187	1,295
Total Operating Expenses	29,771	31,351
Operating Income	4,211	1,773
OTHER INCOME (EXPENSE):		
Interest income	2,147	2,329
Interest expense	(4,383)	(4,479)
Earthquake damages and expenses	(1,757)	(535)
Federal and state earthquake assistance	1,757	535
Litigation settlement		(3,115)
Other		2
Total Other Income (Expense)	(2,236)	(5,263)
NET INCOME (LOSS)	$ 1,975	($ 3,490)

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF EQUITY
YEARS ENDED JUNE 30, 1992 AND 1991
(In thousands)

	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
BALANCES AS OF JUNE 30, 1990	$18,156	$56,063	$84,800	$ 159,019
Capital grants	1,138			1,138
Net loss for the year ended June 30, 1991			(3,490)	(3,490)
BALANCES AS OF JUNE 30, 1991	19,294	56,063	81,310	156,667
Capital grants	838			838
Net income for the year ended June 30, 1992			1,975	1,975
BALANCES AS OF JUNE 30, 1992	$20,132	$56,063	$83,285	$ 159,480

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 1992 AND 1991
(In thousands)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 4,211	$ 1,773
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,644	5,114
Provision for uncollectible accounts	83	203
Net deferral (recognition) of deferred revenue	(98)	84
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(990)	(558)
Materials and supplies	(78)	43
Prepaid insurance and other assets	4	(35)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(2,473)	1,310
Net cash provided by operating activities	5,303	7,934
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Litigation settlement		(3,115)
Proceeds from disaster assistance	782	1,009
Earthquake damages and expenses	(462)	(1,229)
Net cash provided by (used for) noncapital financing activities	320	(3,335)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(1,690)	(3,313)
Capital grants received	1,183	2,548
Principal payments on long-term debt	(4,035)	(3,325)
Interest payments on long-term debt	(5,884)	(6,089)
Interest income capitalized	981	1,233
Proceeds on sale of property and equipment		2
Net cash used for capital financing activities	(9,445)	(8,944)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in restricted cash and investments	1,217	894
Interest income received	2,228	2,393
Net cash provided by investing activities	3,445	3,287
NET DECREASE IN CASH AND CASH EQUIVALENTS	(377)	(1,058)
CASH AND CASH EQUIVALENTS:		
Beginning of year	20,343	21,401
End of year	$ 19,966	$ 20,343

The accompanying notes are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization:

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

The Port's revenue is derived from both commercial rental and maritime operations. All of the Port's tenants, and substantially all of its other customers, are located in the City.

Materials and Supplies:

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Property, Plant and Equipment:

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of a lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property, Plant and Equipment (Continued):

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such tax-exempt borrowings, is capitalized from the date of borrowing through the construction period.

Statement of Cash Flows:

For purposes of the statement of cash flows, all unrestricted cash and highly liquid investments with maturities of three months or less, when purchased, are considered to be cash equivalents.

NOTE 2 - CASH AND INVESTMENTS:

The Port maintains its cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1992 and 1991, cash and investments held by trustees include $10,241,000 and $10,486,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1992 and 1991, lessee deposits held in trust include $970,000 and $858,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

NOTE 3 - RECEIVABLES:

At June 30, 1992 and 1991, receivables consisted of:

	1992	1991
	(In thousands)	
Trade accounts receivable	$ 3,902	$ 2,988
Less allowance for doubtful accounts	410	327
	3,492	2,661
City and County of San Francisco - grants		815
City and County of San Francisco - general	114	32
Accrued interest receivable	690	824
Accrued revenue and other receivables	155	161
Grants receivable	789	288
Federal and state disaster assistance receivable	3,649	2,674
	$ 8,889	$ 7,455

As discussed in Note 12, the federal and state disaster assistance receivable represents the excess of approved federal and state assistance relating to the Loma Prieta earthquake over amounts received.

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1992 and 1991, property, plant and equipment consisted of:

	1992	1991	Estimated Useful Life (Years)
	(In thousands)		
Land and land improvements	$ 113,136	$ 113,136	
Buildings, structures and related improvements	171,352	171,341	5 - 59
Equipment	4,149	3,921	5 - 25
Total	288,637	288,398	
Less accumulated depreciation	(106,325)	(101,847)	
Net	182,312	186,551	
Construction work in progress	4,811	2,992	
Total	$ 187,123	$ 189,543	

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT (Continued):

Total interest cost was $5,898,000 and $6,129,000 for fiscal years 1992 and 1991, of which $1,515,000 and $1,650,000 was capitalized, respectively. Total interest earned was $3,128,000 and $3,562,000 for fiscal years 1992 and 1991, of which $981,000 and $1,233,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $65,700,000 and $58,900,000 at June 30, 1992 and 1991, respectively.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

At June 30, 1992 and 1991, accounts payable and accrued liabilities consisted of:

	1992	1991
	(In thousands)	
Accounts payable	$1,052	$1,456
Due to the City and County of San Francisco	426	1,744
Accrued liabilities	846	816
Accrued payroll and related costs	2,068	2,849
Accrued earthquake related expenses	3,427	2,132
	$7,819	$8,997

NOTE 6 - LONG-TERM DEBT:

At June 30, 1992 and 1991, long-term debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1992	Balance 1991
			(In thousands)	
General Obligation Bonds:				
State of California:				
Fifth Seawall 1958, Series F, G, and H	2.50 - 4.85	1999	$ 5,055	$ 6,110
City and County of San Francisco - Harbor Improvement 1971:				
Series A	4.5 - 5.25	2003	8,800	9,600
Series B	6.3	2005	5,200	5,600
Total General Obligation Bonds			19,055	21,310

NOTE 6 - LONG-TERM DEBT (Continued):

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1992	Balance 1991
			(In thousands)	
Revenue Bonds:				
Series A 1969	7.2	1999	$ 6,700	$ 7,300
Series B 1971	5.5	2001	5,000	5,625
Series C 1984	9.5 -11.5	2009	41,350	41,905
Total Revenue Bonds			53,050	54,830
Total Long Term-Debt			72,105	76,140
Less:				
Current maturities			3,575	3,760
Unamortized discount - Revenue Bond Series C			1,143	1,242
Net Long-Term Debt			$67,387	$71,138

The bonds mature as follows:

Year Ending June 30: (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1993	$ 1,055	$ 1,200	$ 1,320	$ 3,575
1994	1,055	1,200	1,755	4,010
1995	1,045	1,200	1,925	4,170
1996	670	1,200	2,120	3,990
1997	660	1,200	2,455	4,315
Thereafter	570	8,000	43,475	52,045
	$ 5,055	$14,000	$53,050	$72,105

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

NOTE 6 - LONG-TERM DEBT (Continued):

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At both June 30, 1992 and 1991, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000.

NOTE 7 - OPERATING REVENUES - PROPERTY RENTALS:

The Port leases property and facilities to others. These leases provide for 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1992	1991
	(In thousands)	
Minimum rentals	$21,453	$20,898
Percentage rentals	3,384	4,000
	$24,837	$24,898

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30: (In thousands)	
1993	$ 9,654
1994	9,337
1995	8,951
1996	8,544
1997	8,202
Thereafter	200,443
Total	$ 245,131

NOTE 7 - OPERATING REVENUES - PROPERTY RENTALS (Continued):

The approximate cost of property subject to operating leases and property held for lease at June 30, 1992 consisted of:

	(In Thousands)
Land and land improvements	$ 47,000
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $98,000)	59,000
Total	$ 106,000

NOTE 8 - EMPLOYEE BENEFIT PLANS:

Retirement Plans:

a. ***City and County of San Francisco***:

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers the majority of all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions, and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000.

In November 1991 the voters approved proposition A, "The Early Retirement Program." Under the program, three years of age and three years of service were added when calculating the service retirement benefits for all miscellaneous members who elected to retire during the period February 1, 1992 through March 30, 1992. Approximately 1,800 City and County employees retired under the program.

NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued):

Retirement Plans (Continued):

a. ***City and County of San Francisco*** (Continued):

The latest actuarial valuation of the Plan was completed in February 1992 by the actuarial firm of Towers Perrin and was based upon employee data and asset information as of June 30, 1991. The significant economic assumptions used in the valuation were an annual return on investments of 8%, an annual increase in wages attributable to inflation of 6%, annual consumer price index increases of 5%, and an expected future growth in the number of employees of 0%.

The following information is presented as a result of this valuation as of June 30, 1991 and includes substantially all City fund groups:

	(In Millions)
Pension benefit obligation	$5,179
Net assets available for benefits at cost (market value $4,630)	4,393
Unfunded pension benefit obligation	$ 786

The impact of the Early Retirement Program will be reflected in the pension benefit obligation as of June 30, 1992, which will be disclosed in the June 30, 1993 financial statements.

The City (including the Port) met the actuarially determined contribution requirements for the years ended June 30, 1992 and 1991. Pension costs relating to the Port were $1,195,000 and $1,381,000 for 1992 and 1991, respectively.

b. ***State of California***:

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the Board of Administration.

The Port's contributions to PERS totalled approximately $10,000 and $13,000 for 1992 and 1991, respectively. The City's Office of the Controller Comprehensive Annual Financial Report contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

NOTE 8 - EMPLOYEE BENEFIT PLANS (Continued):

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and income earned (until paid or made available to the employee or other beneficiary) are solely the property and rights of the City and County, subject only to the claims of the City and County's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the City and County in an amount equal to the fair market value of the deferred account for each participant.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $199,000 and $191,000 for 1992 and 1991, respectively.

Health Care Benefits - Retired Employees:

Health care benefits of Port employees, retired employees and surviving spouses are financed by beneficiaries and by the City and County through the City and County of San Francisco Health Service System, a nonexpendable trust fund. The Port's contribution, which amounted to approximately $448,000 and $381,000 in fiscal years 1992 and 1991, respectively, is determined by Charter provision based on similar contributions made by the ten most populous counties in California. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees. The Port's liability for both current employee and post retirement health care benefits is limited to its annual contribution.

NOTE 9 - RELATED PARTY TRANSACTIONS:

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $4,048,000 in 1992 and $3,622,000 in 1991. Services provided, included in operating revenue, amounted to approximately $570,000 and $529,000 in 1992 and 1991, respectively. Receivables and payables relating to such transactions are disclosed in Notes 3 and 5, respectively.

NOTE 10 - COMMITMENTS, LITIGATION AND CONTINGENCIES:

Commitments:

The Port is presently planning various development projects which involve a commitment to expend significant funds. The Port had firm purchase commitments at June 30, 1992 for approximately $7,952,000 for capital projects and $1,529,000 for general operations.

Litigation:

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

Contingencies:

Certain grants that the Port receives are subject to audit and final acceptance by the granting agency based upon their review of costs incurred.

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

Concentration of credit risk: The Port leases facilities (commercial and maritime) to businesses, substantially all of which are located in San Francisco. The trade accounts receivable relate to such activities.

NOTE 11 - LITIGATION SETTLEMENT:

In December 1985, the Port filed a declaratory relief action requesting the court to determine that the Port had legally terminated an agreement with a property developer. The developer cross-complained against the Port, seeking damages in excess of $9 million. In 1991, the Port paid $3 million to the developer in settlement of the litigation. The Port also incurred $115,000 of legal expenses in 1991 related to the litigation and settlement.

NOTE 12 - EARTHQUAKE DAMAGES:

The Port suffered damage from the Loma Prieta earthquake which occurred October 17, 1989. All damaged property and infrastructure have been identified. The Port expects to repair all earthquake-related damages, which is currently estimated to total $6,517,000. As of June 30, 1992, $3,090,000 has been expended. These estimates do not include costs relating to seismic upgrades, retrofitting or other improvements.

The Port has been granted $6,517,000 in Federal and state emergency assistance of which $2,868,000 has been received to date. The Port has recorded a receivable in the amount of $3,649,000 which represents the amount of approved Federal and state assistance which the Port intends to utilize to repair and replace its property and infrastructure, less amounts received to date.

NOTE 13- SUBSEQUENT EVENT:

In September 1992, the California State Legislature amended the Public Resources Code (The Code), enabling the City to transfer discretionary reserves from the Port to the City.

The Code defines discretionary reserves as the greater of (a) 25% of the Port's total current assets less total current liabilities ("working capital") reported in the most recent audited financial statements made public prior to June 30, 1992 and each year thereafter, or (b) $4 million. After the Port certifies the amount of discretionary reserves, the City has the option of transferring any or all of such reserves on or before March 31, 1993 and each March 31 thereafter until the provision is repealed. The provision will remain in effect only until June 30, 1994 and as of January 1, 1995 is repealed.

The amount available for transfer before March 31, 1993 would be the 25% of working capital as of June 30, 1991, or approximately $4.3 million. The 25% of working capital is approximately $4.9 million as of June 30, 1992. This amount would be available for transfer on or before March 31, 1994.

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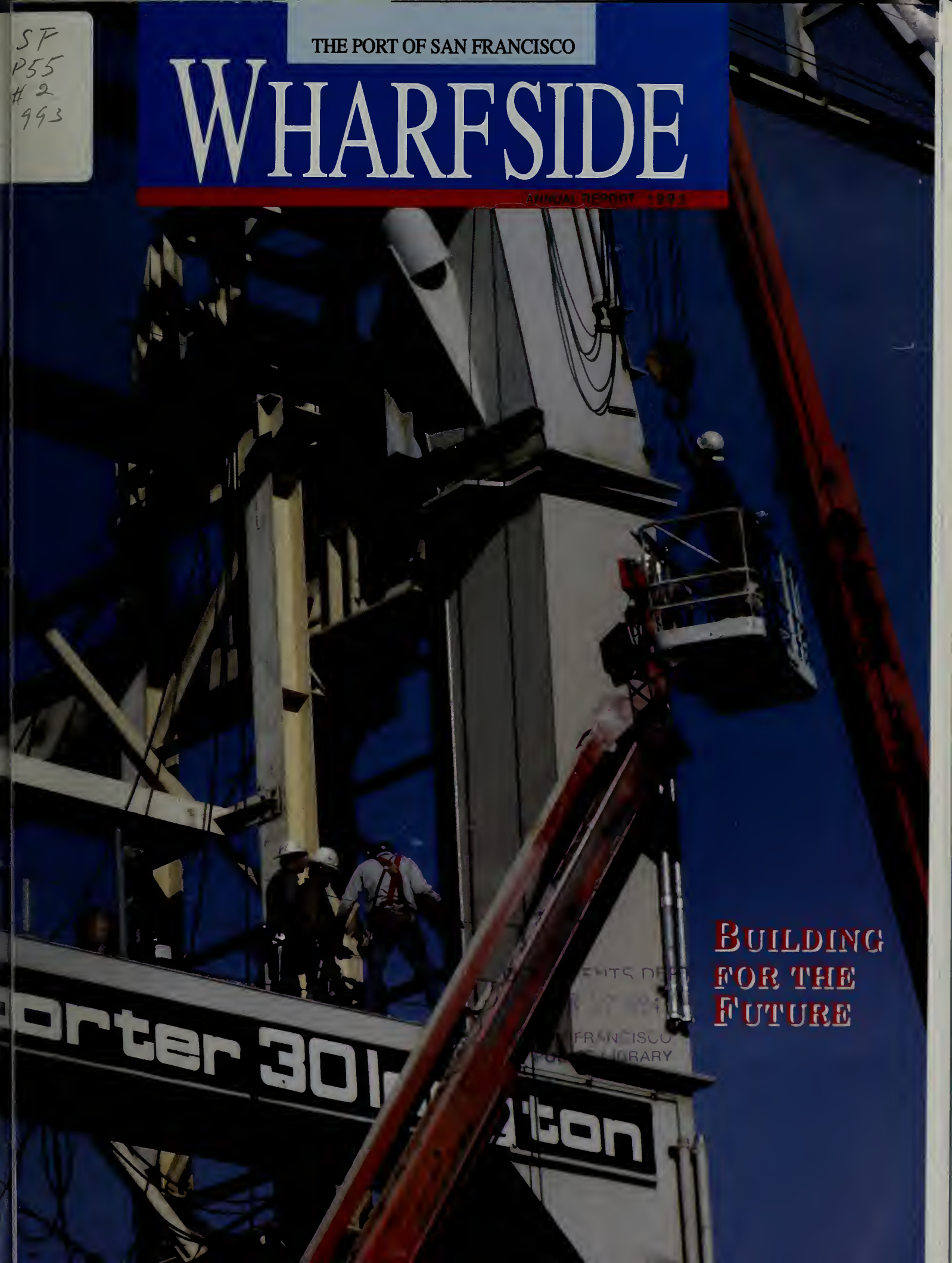
THE PORT OF SAN FRANCISCO

WHARFSIDE

ANNUAL REPORT 1993



BUILDING FOR THE FUTURE

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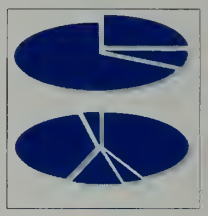
21 Coit Tower Plaque Restored

21 *MV Arkona* Makes Maiden Call



Cover: New leg on Starporter crane, Pier 94
Back: Ferry Building
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PORT OF SAN FRANCISCO

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If I had to pick one word to summarize the past year at the Port, it would have to be "change." Life is nothing more than a series of changes, but this year the Port seemed to be more affected by it, with many new things replacing the old:

New faces. *Executive Director Michael Huerta left in May to be the nation's intermodal czar as the Associate Secretary of Transportation. Wally Abernathy, former Port of Oakland manager, ably filled in for him during the lengthy selection process. And, just before year's end, Dennis P. Bouey, former Deputy Director of San Francisco International Airport, started work as our new Executive Director.*

New looks for familiar places. *The Ferry Building showed a new face, as the scaffolding that has been hiding the facade since the Loma Prieta earthquake finally came down as repairs were completed. The Embarcadero roadway from Bay to King went "under construction" as elements of the City's Waterfront Transportation Projects progressed. Pier 80's seven million dollar improvement project was completed, turning the NCT into a brand new, state-of-the art terminal and improving throughput.*

New ideas. *By putting 30 of the leading urban planning and architectural experts in a room together, we gained some valuable new ideas for renovating the Ferry Building and for building the waterfront of the future. And, with the publication of the* Options for Change Report *in October, we are closing in on the draft of the* Waterfront Plan.

New ways for doing things. *We've streamlined the leasing policy and established some standard procedures which should make it easier to rent commercial facilities. Plus we've begun to prioritize projects and look at long-term goal setting and budget planning.*

San Francisco Port Commission

Standing: James R. Herman; Francis J. O'Neill
Seated: Anne Halsted, Vice President;
Preston Cook, President; and Ming Chang-O'Brien

The Port's customers remain our number one priority. The Port Commission is committed to building a strong Port which reflects the diversity of the City. We believe that we have the "building blocks" in place that will make the waterfront renaissance possible.

Preston Cook

Preston Cook
President

NEW PORT DIRECTOR SPEAKS OUT

An Interview with Dennis Bouey

Dennis P. Bouey was named to the position of Executive Director in November 1993 and began work in December.

Prior to coming to the Port he was the Deputy Director, San Francisco International Airport. He has also served as the Executive Deputy to the Chief Administrative Officer of San Francisco and as Business Manager and Financial Secretary of the International Federation of Professional and Technical Engineers, Local 21, AFL-CIO. He also did an extended tour in Vietnam as a member of the U.S. Army Special Forces.

A native San Franciscan, he is a graduate of Saint Ignatius High School and holds a B.A. in Economics from the University of San Francisco.

He spoke to Wharfside *Magazine about his goals and vision for the Port.*

You've had a couple of weeks now to get your feet wet here at the Port, what's your first impression?

That the Port is at a critical time. Our financial situation is precarious, yet the timing may be right for the Port to take advantage of its immense potential. Because of our financial condition, we have to move quickly to ensure the survivability of the Port. At the same time, the Waterfront Plan Advisory Committee's work will soon be coming to a conclusion, and, armed with their report, we can educate our tenants and the citizens of San Francisco to the needs and potential of the Port. The support of the city's population is necessary to launch the Port successfully into the twenty-first century.

From what you have seen, what are the Port's strengths?

That we have a wonderful promenade that is unparalleled anywhere in the world, that we have a rich history, and that the citizens of San Francisco care and will require not only continued access, but that any development of this truly beautiful waterfront be first rate.

On the other side of the question, what are the Port's weaknesses?

That, as an organization, the Port lacks the necessary management support systems to carry out its mission. The department's organization lacks clarity. We need to streamline and redefine some of our functions so we can better serve our customers. It is important that we carry out our business in a more professional way so people will trust us with the development of the waterfront.

Additionally, there are three major problems that the Port must immediately overcome:

1) lack of money
2) laws that unnecessarily restrict the Port
3) strong public opinion...we need to inform users and citizens better about the current condition of the Port, what our vision is, and why we should be trusted to enhance its beauty and viability.

You are a San Francisco native. What influence do you think that has on your perspective about the Port?

I think what it gives me is a deeper appreciation of what the waterfront means to those who live here. And that I want to ensure that those who follow will appreciate the waterfront in the same way I do.

What's your vision for the Port?

My overall vision is to integrate the Port into the fabric of the City. As it is now, you come down the great boulevard of Market Street and find that it ends about 400 feet short of the Ferry Building. Here we have this terrific building that serves as a focal point for the City, and yet, the City's main artery stops short of the waterfront.

So in my vision, I believe we extend that boulevard into a grand, beautifully-designed piazza in front of the Ferry Building where people can congregate, drink a cup of coffee, and watch artists at work. Then we start connecting the rest of the waterfront north of the Ferry Building to Fisherman's Wharf... and we need to look south and do the same thing.

Our goal must be to transform the waterfront into something that is vital and alive... a place that citizens and visitors will want to visit.

Concurrently, we need to work on keeping the maritime that we have, and to build on it. We want to ensure that shipping lines like Evergreen continue to do business with San Francisco. Part of this effort requires obtaining capital investment and, given the Port's current financial situation, we need to find other streams of revenue to fund those improvements. I think that those revenues will largely come from commercial development between Fisherman's Wharf and China Basin; these sources of revenue will also pay for creating and maintaining open space.

"My overall vision is to integrate

the Port into the fabric of the City."

With Proposition H preventing development until completion of the Waterfront Plan, is the Plan going to be one of your high priorities in your first year in office?

Absolutely! It is the linchpin of our future success. We need to come up with a plan that is rational, realistic, and attractive. And then we have a duty to educate the citizenry about what it is we want to do with this wonderful property that's been entrusted to us. I am convinced that people want to see the proper development of the Port rather than let it lie fallow, unused and separated from the City as it is now.

Some people object to development on the northern waterfront because they say that we need to keep the piers for maritime. What do you say to them?

Well, I guess some people have a romantic notion of what maritime is. In their mind's eye they recall an earlier time in San Francisco's history when our piers were full of ships and think its practical to restore that.

About a month ago, shortly after being named the Port Director, I was at a reception, and a woman who lives near the Port asked me what I thought I could do to bring maritime back to the northern waterfront. I first asked her what she meant by maritime, and she replied, as most people do, "ships and cargo." When I asked if she was prepared to accept 10-story cranes, trucks and train traffic along the Embarcadero, and the lights and the noise that go along with serving modern container ships, she was not as eager to have shipping

at those piers. Given that perspective, I think most people would agree.

On the other hand, I think there is a definite place on the northern waterfront for other maritime uses such as cruise ships, ferry and excursion vessels, commercial fishing, harbors, etc.

Do you think that the Port's mission is changing?

Basically I think not, though the allocations within our mission, for example maritime, are changing. And that's because, for a variety of reasons, the Port of San Francisco is evolving: to a very great extent San Francisco is now an urban port with maritime uses, where Oakland, on the other hand, is a working port with some commercial aspects to it.
I believe we will stay in the maritime business but I also think that the Port needs to develop in other ways to induce increased revenues so we can support maritime uses and open space, and ensure that that the Port remains the jewel it should be... something that San Franciscans can be proud of for years to come.

In terms of support for maritime, one of the projects that we have been looking at over the last few years is the tunnel project. What's your view on the priorities for the tunnel project?

As I mentioned earlier, a high priority is to keep what shipping lines we already have. To keep a major shipping line like Evergreen we have to do the tunnel project. But we also have the responsibility when undertaking capital projects to ensure that they're viable... that we will get a return on our investment.

Unfortunately, another dimension to the tunnel project is the fact that Southern Pacific Railroad controls the rates charged to freight users. To make sure that the tunnel project is successful, we need to come to an agreement with Southern Pacific on rates that will be charged to the Port's customers.

"We've got to start moving ahead. We need to realize that there's more risk in holding onto projects than in going ahead and doing them."

Is the Port committed to intermodal?

Yes, however, we recognize that we need to do the tunnel project if we are going to be a player in the intermodal business. Those external factors over which we have no control mean we have some serious work to do. It's also important to realize that our cargo facilities are grossly underutilized and that there are shipping lines that aren't dependent on intermodal. We need to work on attracting them also.

At the airport you were responsible for development of a large number of projects. Do you think that expertise is going to be helpful in getting to some resolution on these infrastructure projects?

I think from a management standpoint, yes. The biggest difference between the airport and the Port is that the airport had enough money to fund its own projects; where here, given our financial situation, we have to approach projects differently. We can approach the state and federal governments for grants, but, more likely, the bulk of our development will be done through a series of joint public and private efforts.

Will the base closures that are coming to the Bay Area have any impact on the Port?

I think the most significant development is that Oakland appears to be the beneficiary of some new berths which increases their capacity to attract additional and future shipping: I see that as a threat to San Francisco's efforts to attract cargo business.

Ship repair is another casualty. With fewer military ships in general, and the closure of Mare Island and Alameda specifically, there is a smaller pie for San Francisco's two remaining ship repair companies. It was not too long ago that five ship repair companies operated at our Port; I see every reason why the survival of the remaining two companies is threatened.

What do you see as the priorities for tenants?

Well, I think that people who pay us money are entitled to first-rate service, and I want to deliver that service. But, more importantly, there are also some areas such as Fisherman's Wharf that over the years who have paid the Port a lot of money and probably we haven't re-invested in them as we should.

I think we need to approach Fisherman's Wharf with renewed vigor, to become full-fledged partners on projects that ensure it's safe and clean so that people can feel secure there. We need to make sure we support the industries that define Fisherman's Wharf. And we may even want to help market it, to participate with the merchants, to see what we can do to attract more business.

Do you see us trying to do additional efforts to attract the cruise industry as part of that Fisherman's Wharf mix?

I think so. Like everyone else, I would love to see a new cruise terminal, but I don't realistically see, in the very near future, that happening. I would like to change some laws that would allow for more frequent ports of call. Specifically, those which prohibit foreign-flagged vessels from carrying passengers between American ports, especially since there are only two U.S. flag oceangoing cruise ships in the world.

"People who pay us money are entitled to first-rate service,

and I want to deliver that service."

I believe this particular law served a purpose at one time; I question whether that reason is valid now. Certainly the circumstances have changed. There are other ports that are in this same situation, and I think it's just a matter of time before such laws are modified. When they are, you will see San Francisco's cruise business go through the roof because it is such a beautiful city.

How would you describe your management style?

Crisp but inclusive. I like those who have initiative and are creative. Certainly the Port is in dire need of that. On the other hand, where that is lacking, I'm happy to provide it.

Could you explain how this might manifest itself in the way you do business?

The Port of San Francisco seems to study things to death. In many instances some study is both appropriate and necessary to make the proper decisions, but there is a point of diminishing returns. In some instances, I believe the Port has continued to study a project to avoid making a decision.

We've got to start moving ahead. We need to realize that there's more risk in holding on to projects than in going ahead and doing them. If we make a mistake from time to time, I believe people are willing to forgive us because we're attempting to do something, as opposed to doing nothing, which frustrates people. ▲

Income Statement Analysis

The Port of San Francisco recorded a loss of $1.12 million for fiscal year 1992/93, primarily due to reduced shipping traffic and increased expenses.

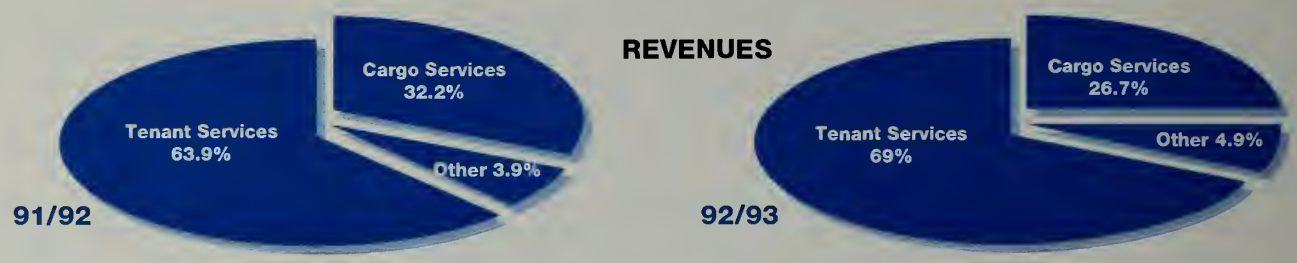
OPERATING REVENUES

Operating revenues decreased 5.6% to $32,086,000. Cargo Services Division accounted for $8,374,000 or 26.1% of total revenues, down from $10,960,000 in the previous year. Tenant Services Division reported an increase of $428,000, accounting for $22,130,000 or 68.9% of total revenues.

Cargo Services' maritime revenues were down 21.3% to $7,548,000, due to a decline in shipping traffic. Cargo facility rentals were down 39.7%, primarily due to the termination of the Pier 90 grain terminal lease.

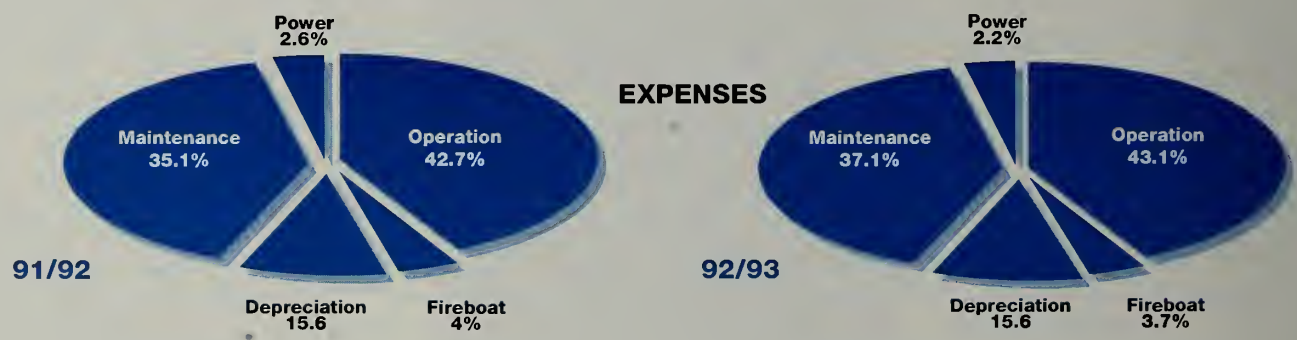
Tenant Services' maritime revenues were down 15.9%, while commercial property rentals were up 3.8%, due to increased percentage rentals and higher parking revenues.

Power sold by the Port was down 12.2% to $868,000, and other revenue primarily work for tenants) went up 19.8%.



OPERATING EXPENSES

Operating expenses increased 4.9% to $31,240,000, the majority of which was in Operations and Maintenance which grew 8.9% to $25,240,000 due to additional Port staff, asbestos removal in the Ferry Building, drydocking of the fireboat *Guardian*, and increased environmental clean-up and monitoring costs. Other changes included decreases in depreciation (10.2%), fireboat operations (4.3%) and commercial power costs (12.1%).



OTHER INCOME (EXPENSE)

The net increase in Other Income/(Expense) was primarily the result of a onetime gain associated with the sale of equipment. Interest income decreased 9.4% due to the continued decline in interest rates, and interest payments decreased 4.7% due to the reduction in long-term debt.

Statement of Operations

Years ended June 30, 1993 and 1992
(in thousands)

	1993	1992
Operating Revenues		
Cargo Services		
Maritime	$7,548	$9,589
Rental	826	1,370
Tenant Services		
Maritime	1,012	1,203
Rental	20,250	19,510
Power	868	989
Other	1,582	1,321
Total Operating Revenues	**32,086**	**33,982**
Operating Expenses		
Operations	13,455	12,704
Maintenance	11,785	10,445
Depreciation	4,169	4,644
Fire boat operations	1,136	1,187
Commercial power	695	791
Total Operating Expenses	**31,240**	**29,771**
Operating Income	**846**	**4,211**
Other Income (Expense)		
Interest Income	1,946	2,147
Interest Expense	(4,176)	(4,383)
Earthquake damages and expenses	(3,138)	(1,757)
Federal and State earthquake assistance	3,138	1,757
Gain on sale of equipment	264	
Total Other Income (Expenses)	**(1,966)**	**(2,236)**
NET (LOSS) INCOME	**($1,120)**	**$1,975**

The full financial statements and Independent auditors' report may be obtained for 70¢ (18¢ duplication and 52¢ postage) by writing to the Financial Manager, Port of San Francisco, Suite 3100 Ferry Building, San Francisco, CA 94111.

Planning the Future

The challenge of planning the waterfront is to reunite the waterfront with the city to make the waterfront an everyday part of the life of the city and to create a new civic place and spirit.

This fall Port staff put together two two-day workshops of local architects, urban planners, economists, developers, and interested citizens to look seriously at the waterfront. The first group was tasked with developing a "public framework"—a series of guiding principles that would shape future planning efforts. They selected four key ideas to describe their principles, agreeing that the waterfront should:

- become the City's Promenade, providing a continuous unfolding experience that reveals the aquatic and marine setting and community character, history, and potential for the future.
- be the connection to the community, all the City's and Bay Area's communities, not just the neighborhoods along the waterfront.
- act as a large bay window with ever-changing views and as a doorway from the land to the water, and from on the water to the land.
- be a repository of a collective and individual memory that connects people to the past and to the present.

WATERFRONT PLAN TIMELINE

1994

MAR — JUNE — SEPT — D

Public Hearings On *Options for Change*

Preparation of Draft Plan by staff

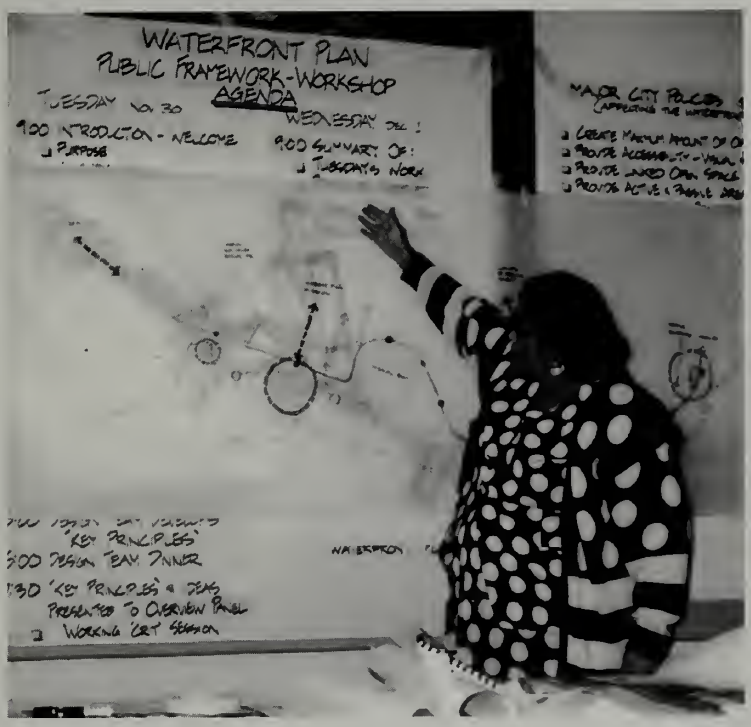
Environmental Review Process

Approval of Draft Plan by Port Commission

They also recommended that waterfront planning must be adjustable, allowing response to changing opportunities, and that public and private actions should be coordinated to create projects that will result in a substantial public benefit. They emphasized a need for the plan to be relevant and connected to the broadest possible public.

The second group took the strategies of the first and focused on developing illustrative ideas for "strategic nodes" at several points along the waterfront. Consensus of both groups was that you didn't have to do something to every pier, just a few, key piers. This, it was believed, would create a new civic place — sites for ongoing and special events for all to enjoy, economically feasible developments that could help fund further growth of the Port.

What's next? The Waterfront Plan Advisory Board will fold in the results of the workshops to its consideration of maritime and non-maritime use options. It is expected to recommend a draft plan in late April. An extensive Environmental Review (EIR) process will begin about the same time. The EIR will take approximately 18 months to complete.



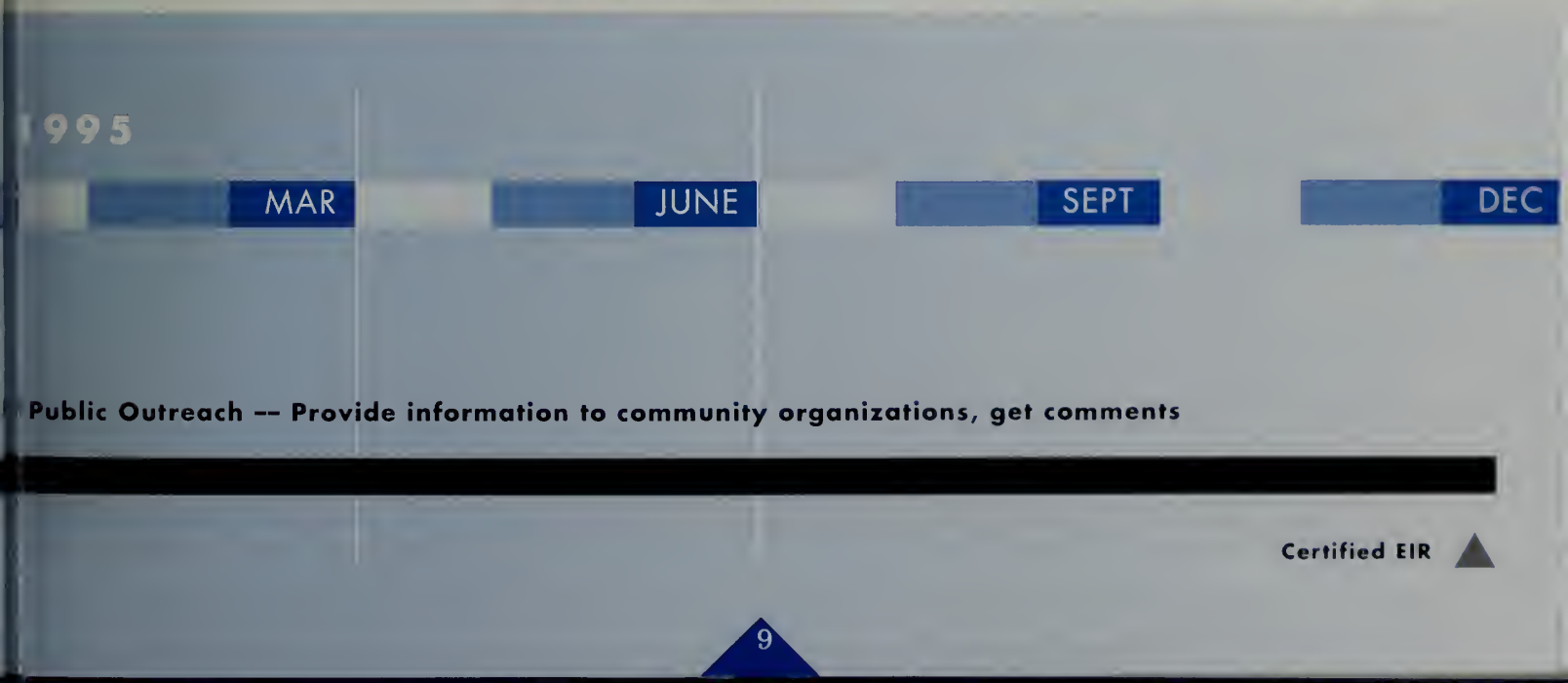
Advisory Board member, Ann Cervantes, participates in planning workshop.

Until the Waterfront Plan EIR is completed and certified, no permanent non-maritime development can occur. However, during this time, the Port can begin the process of obtaining any regulatory or city planning code changes which might be needed to facilitate the develoment projects which ultimately may be proposed.

The Port is currently working with the Bay Conversation and Development Commission (BCDC) on updating the *Seaport Plan*. Proposed Waterfront Plan uses will be examined as part of this process, with the goal of making the two plans consistent.

The Draft Waterfront Plan and the EIR will not become final until certified and adopted by the Port Commission and the City Planning Commission. ▲

This timeline reflects the major elements of work remaining before the final Waterfront Plan can be approved.



YEAR IN

Mayor Jordan proclaims "Princess Day in San Francisco" to honor 25th year of Princess Line's cruise ships calling at the Port.

Ever Royal, Evergreen's first R-class container vessel makes her maiden call at the Port.

The 100-year-old ferryboat *Eureka* receives a major overhaul at San Francisco Drydock.

REVIEW

The scaffolding and braces are finally removed from the front of the Ferry Building.

Construction of the tunnels for the MUNI Metro Turnback Project disrupts traffic on the Embarcadero, closing Mission Street temporarily.

Mayor Jordan swears in Dennis Bouey as the new Executive Director.

BUILDING FOR THE FUTURE

Infrastructure improvements, including projects underway at Fisherman's Wharf, the cargo terminals, and along the Embarcadero, are key elements in the Port's efforts to build for the future.

Last fall, Congresswoman Nancy Pelosi described the efforts of the City and the Port as the "Waterfront Renaissance" as she highlighted the Waterfront Transportation Projects as an example of the kind of public projects everyone wants to see happen.

Summarized on the next few pages is the current status for each of the major projects.

Fisherman's Wharf

Pier 45 Earthquake Repairs

Soil stabilization efforts will be completed in March, and the contract for the final repairs for Pier 45's earthquake damage has been awarded. This phase is scheduled to begin in April. The project includes structural work, repairs to the damaged building utilities to achieve code compliance, and repaving the pier. When completed, the interior of Sheds B and D will have modern fish processing facilities.

Sheds A and B will be completed this fall, and Sheds C and D in the spring of 1995. Leasing plans are being completed and negotiations with commercial fish operations and fish processors will soon begin for spaces in Sheds B and D.

Sidewalk Improvements

The Port has been working with Fisherman's Wharf merchants on a plan to widen walkways in and around the triangle area. Work in the first phase of this project is expected to be completed before the start of the summer tourist season.

The improvements will include widening the sidewalk along Jefferson and Taylor Streets next to the Expo Building, and modifying existing lighting.

Pier 47A Restoration

Design work is nearly complete on the renovation of Pier 47A, the pier in front of Scoma's Restaurant. This project, funded by more than half a million dollars in a Transportation Efficiency Act (TEA) grant, is designed to provide increased public access (including spectacular Golden Gate Bridge views) and additional transient fishing boat berths.

Construction work is expected to commence later this spring, with the project taking approximately six months to complete.

Fisheries Institute

Sedway and Associates is conducting a feasibility study and design concept analysis for a Fisheries Institute which could be located in Shed C or A at Pier 45. The institute was originally proposed as an applied research facility directly supporting the fishing industry. It has since evolved into more of a public education center, and research facilities, a conference center, classrooms and kitchens, and a public fish market. The institute is seen as the nexus between the fishing and tourism industries, taking advantage of the heavy foot traffic of the Wharf.

Three alternatives will be presented at the Port Commission meeting this spring, along with recommendations for

implementing the project. Funding alternatives will be examined once a preferred alternative is selected.

Hyde Street Comercial Ship Harbor
In a speech to the Fisherman's Wharf Merchants Association in January, Dennis Bouey described the Hyde Street Harbor as "absolutely necessary" for the fishing industry. The Port is currently conducting a feasibility analysis and examining funding alternatives. A $3 million California Department of Boating loan is still in place, but additional grant funding or subsidy will be needed to build the estimated $5 million project.

Traffic Congestion Management
The Port has undertaken a series of programs to improve traffic management in the heavily-congested triangle area at the Wharf. The first step was the establishment last summer of a tour bus parking area in the valley between the sheds at Pier 45, removing buses from the traffic lanes near the parking lots.

The Port Commission has also begun to regulate pedicabs, establishing new curbside cab stands.

Waterfront Transportation Projects

South Embarcadero
Waterside construction began in early July and is 70% finished. Estimated completion date is July 1994.

North Embarcadero
Landside construction began mid-summer and will continue until late March or early April, when bayside improvements will commence. Estimated completion of the entire project is April 1995.

MUNI Metro Turnback
The project began construction in September, with minor rerouting of traffic. In December, Mission Street was closed at the Embarcadero and passenger walkways moved while tunnel work was underway. The street closure will remain in effect until mid-March. Estimated completion of the entire project from the Embarcadero Station to the new south Embarcadero MUNI extension line is August 1996.

Fisherman's Whart F-Line Loop
Design of the first phase of construction began in September. The second phase design will follow, with a final construction schedule to be developed to minimize construction impact to Fisherman's Wharf Merchants. Construction will probably begin in June 1995.

Mid-Embarcadero Roadway Replacement Terminal Separator
The Environmental Impact Review (EIR/EIS) process for the Embarcadero Freeway replacement began in August 1992. Terminal Separator Structure (TSS) options are being examined by the Board of Supervisors. If new alternatives for the TSS are included, publication of the draft EIR/EIS would delayed until March 1995. The Citizen's Advisory Committee on the (CACEP) has created a subcommittee tolook at options for the redesign of the area previously under the Embarcadero Freeway from Mission to Washington. This subcommittee has been meeting, but final decisions on design cannot be made until the Mid-Embarcadero roadway alternative is chosen. They will publish a report on land use and implementation recommendations in July 1994. ▲

Cargo Services

Tunnel Project

During 1992 the Port was awarded $6.8 million in Intermodal Surface Transportation Efficiency Act (ISTEA) funds and $2.4 million in I-280 mitigation funds to construct a gauntlet track in two tunnels south of the Port, allowing access for high-cube doublestack trains.

Kambiz Shadan, from the City's Public Utilities Commission (UEB), has been selected as the overall project manager, and, since August, he has supervised the final project designs. Engineering design should be completed by March 1994.

Construction cannot begin until completion of a Memorandum of Understanding between the Port and the Joint Powers Board (an organization made up of representatives of San Francisco, San Mateo and Santa Clara counties). The JPB operates CALTRAIN between San Jose and San Francisco and controls the right-of-way through the tunnels.

The tunnel project will involve building a gauntlet track between the two existing tracks, taking advantage of the higher clearance at the center of the tunnel to accommodate trains carrying 9 foot 6 inch "high-cube" containers stacked two-high. Additionally, special signalling will be installed.

Construction will take approximately one year.

North Container Terminal

The modernization of the Port's second largest container terminal was completed this year, increasing overall throughput capability by 50% and more than doubling refrigerated container handling capability.

The entire surface of the 69-acre terminal was leveled, re-graded and re-striped to accommodate high-speed transtainer operations and allow four-high stacking of containers. As part of the $7 million project, utilities were also moved underground to improve traffic flow and enhance safety within the facility. The high-mast lighting system was renovated electrically and structurally, and the total number of reefer plugs was increased to 414, 244 of which can handle 440-voltage.

This is one of the largest container terminals in the Bay Area, with four gantry cranes, 396,000 square feet of covered warehouse space, and 5090 feet of berths. It can accommodate up to six ships simultaneously. RO/RO and breakbulk cargo can also be handled at this terminal.

Future improvements include annexation of an adjacent 30 acres to the container yard, rebuilding of the gate system to accommodate the new footprint and, finally, the construction of a bridge connecting the terminal to the Port's large on-dock intermodal rail facility at the South Container Terminal.

Ferry Building

Ferry Building Repairs Underway

The scaffolding in front of the Ferry Building, a part of the facade since the Loma Prieta earthquake in 1989, has finally come down. This marks completion of a portion of the seismic repairs to the building, one element of a larger, $1.7 million project to make the building safer.

The Federal Emergency Management Agency (FEMA) underwriting repairs which were a direct result of the Loma Prieta earthquake; the remainder of the project is paid for from the Port's operating budget.

The parapet and facade facing the Embarcadero are being strengthened, the tower reinforced, asbestos abated, and the brick work along the southern wall (facing the Agriculture Building) will be removed and replaced with a strengthened structure.

The work, conducted by Barnes/Lim Construction Co., a minority joint venture, is expected to be completed later this year.

Ferry Building Design Contract Awarded

The project to renovate the Ferry Building has moved one step closer to reality with the award of the preliminary design and feasibility analysis contract by the Port Commission. A multi-disciplinary team led by James Stewart Polshek and Partners will develop and analyze three design scenarios, including conducting design and engineering studies, market and financial analysis, cost estimating and regulatory approval.

The initial design efforts are expected to take five months, with a more detailed analysis of the preferred alternative taking an additional four-six months. The study, funded by a Transportation Enhancement Activities (TEA) grant from the federal government, will allow the Port to examine several alternatives in order to develop a plan that will attract the public and private investment necessary to conduct the historic renovation.

The project reflects some of the ideas which were discussed at a two-day workshop held last summer which brought together some of the City's leading architects and urban planners. The concept is to enhance the public nature of the building, emphasize the transportation connections between the ferries and other forms of public transit, possibly reconstruct the second floor "Grand Hall" running the length of the building, and create more access to the Bay.

Ferry Terminal Design Contract Awarded

Roma Design Group has been awarded a $600,000 contract for the design of the second phase of work at the Doris Kahn Ferry Terminal. The project, which will be conducted in two stages, consists of developing several alternative design schemes and layouts for the Pier 1/2 North Ferry Terminal deck, covered walkway, barges and ferry terminal structure.

In addition to design, the contract includes a sophisticated analysis of ferry usage, identification of landside transportation and regulatory issues, environmental engineering review, construction strategy development, and review of preliminary designs with the Bay Conservation and Development Commission (BCDC). This stage of the work is estimated to take 90 days.

Once a preferred alternative is selected, the second stage of the project will be to complete the design plans, specifications, and cost estimates to enable the Port to solicit bids for the actual construction. This stage is to take no longer than 12 months.

The Port has secured $8.5 million from the California Transportation Commission and $500,000 from the federal government under ISTEA to fund the design and construction of the terminal. ▲

Scoma's Sets New Standards in Fish Preparation

Ever wonder what goes on in the kitchen of most restaurants? Need some ideas for what to do with fish? Just take a walk down Pier 47 and watch the chefs of Scoma's restaurant creating food "art" in their brand-new, efficient fish processing station.

This pierside fish-handling facility was designed to do two things: give the restaurant direct access to local fishing boats and provide space for proper preparation of fish—all in view of the public. Now fishermen with a good catch can pull alongside the receiving station and offload right into the fish preparation area.

Mark Magner unloads fishing boat at Scoma's fish receiving station.

The fish generally are loaded into large, walk-in reefers—refrigerators bigger than an average bedroom. When needed, staff retrieves the catch from the reefer and prepares it for the kitchen. A large picture window facing the street allows visitors and waiting diners to watch the fish preparation—everything from butterflying shrimp to carving a 2-foot-long, 15" diameter chunk of swordfish into steaks.

"Scoma's has long been known as a quality seafood restaurant, and with this facility everybody can see exactly what we do to get that quality," explains Al Scoma, restaurant co-owner. "Some people are afraid to eat fish because they don't know how it's been handled. Here they can see how fresh our fish is and all the precautions we take to ensure that it's handled properly."

The U.S. Department of Agriculture has discussed increasing inspections and processing requirements for fish, and Scoma's staff believes their new facility already exceeds any standards that are planned by USDA. The entire seafood preparation area is designed for cleanliness—stainless steel work surfaces and tile walls, ceiling and floor are easily cleaned, and nightly a high-pressure wash-down system sanitizes the entire work area. ▲

Chef Jim Gannon prepares fish in the new facility.

Starporter Crane Grows

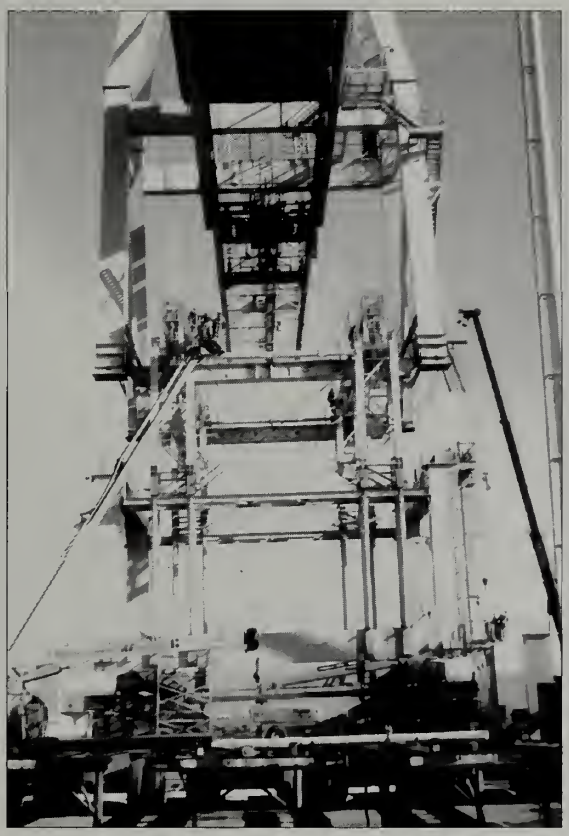
The first of two Starporter cranes at San Francisco's Pier 94 has just undergone a remarkable transformation, growing 17 feet in one day! The top of the crane was raised to facilitate handling of larger vessels.

Cranes have been raised before, however, this is the first time that jacking has been accomplished from the height of the portal beam (44 feet up the side of the crane). Rigging International, of Alameda, CA, the prime contractor, made the job look easy.

To accomplish the lift, four jacking towers were installed on the sill beams at the base of the structure. Using eight hydraulically-operated bottle jacks (two per tower), the entire structure from the portal beam up was lifted nine inches with each stroke. The mechanism was pinned in place at the new height, and the jacks withdrawn.

These steps were repeated until the full 17-foot height extension was complete, a process which took about three and one-half hours.

To complete the transformation, new support legs were then moved into place and the crane top lowered back onto its newly-extended base. The legs were bolted into place and additional structural crossbars were added to strengthen the tower. As a final step, a new flight of stairs was welded into place, providing access to the operator's cab and boom.



Crane lifted to new height, awaiting installation of new legs.

In addition to adding new height, the Port's crane upgrade project calls for load capacity to be increased to 40 long tons, new telescopic spreaders to be added, the trolley rails maintained and some motors and generators overhauled. This will make the cranes capable of handling all fully-loaded, current generation of container ships, including Evergreen's new R-class 4,200 TEU vessels. ▲

At the halfway point in the project.

Blue Star Line Signs New Agreement

The Port Commission has approved a contract with Blue Star Lines (BSL) for its Pacific inter-island service.

Blue Star's Pacific Island Service is a continuation of their long-standing relationship with the Port. These ships, which call Pier 80, are separate from their joint service with Columbus Line.

This twice-monthly service calls at Tahiti, American Samoa, and Tonga, and is known for rapid transport of grocery trades items including frozen poultry, canned goods, and fresh California produce.

Radiata pine, clear grade lumber from New Zealand used in finished carpentry work, is also regularly delivered to the Bay Area.

Because of the time-sensitive nature of the refrigerated and perishable cargos, Blue Star offers shippers a free service, called StarFax, which allows them to receive up-to-date arrival and departure dates for all BSL ports of call. This service is available by calling (800) 200-BLUE.

The estimated annual revenue to the Port for the three-year agreement will be $120,000. ▲

Blue Star vessel loads at Pier 80.

NYK's Margarita Express Adds New Service

In January, the Port Commission approved a contract for Margarita Express, a new service being offered between Central America and the U.S. west coast. Margarita Express is a bi-weekly service operating between Panama and the U.S. with fixed-day scheduled service linking ships sailing for the far east. Northbound the line has added a call in Salina Cruz, Mexico, a major coffee export center. With calls in Costa Rica, Nicaragua, and Guatemala, coffee and sesame seeds are the largest commodities handled.

Margarita Express chose the Port of San Francisco for its accessibility to the major coffee roasters and for its status as a coffee futures exchange delivery port. Guy Wright, U.S. agent for the new service, describes the all water service as "more attractive than the road and rail combination now being used via Laredo. This will allow companies to ship overweight containers, and it will cut down on the extra handling."

Service on this line is expected to start sometime this spring, with ships calling at the South Container Terminal. It is estimated that the five-year agreement could bring an annual revenue of $200,000 to the Port.

Margarita Express is a service of Nippon Yushen Kaisha (NYK) line. ▲

NYK LINE
NIPPON YUSEN KAISHA

New Leasing Policies Take Affect

"For Lease" signs will soon be appearing on vacant Port property under a new, aggressive leasing program designed to involve commercial real estate brokers and generate needed revenue for the Port.

For the first time, real estate commissions can now be paid by the Port to outside brokers who bring in business. This new policy is designed to increase interest in Port property by commercial real estate brokers and, in effect, expand the Port's leasing team to include the entire local real estate community. Commissions will be paid out of a special fund taken from the rent earned on the property.

Over the past few months, the Port Commission also approved a standardized lease format and has detailed lease policy parameters that allow the Port's leasing specialists to negotiate leases without requiring Port Commission approval. This is designed to make it possible for Port staff to respond more quickly to the needs of potential renters. ▲

Port leasing team members: (standing) Diane Artz and Jennifer Sobol; (seated) Nick Dempsey, Kirk Bennett, and Dorothy Schimke

Cook Elected Commission President

Commissioner Preston Cook was elected President of the San Francisco Port Commission in January, replacing James Herman. He will serve as President of the Commission until January 1995.

Commissioner Cook was appointed to the Commission in May by Mayor Jordan, replacing Douglas Wong. A principal at TRI Realtors, he is active in community affairs. He has previously served as a consultant for the California Senate Select Committee on Maritime Industry, as field representative to State Senator Milton Marks, and as Assistant Director for the Western Region of the Council of State Governments.

Preston Cook

In his term as Commission President, he indicates he would like to play a major advocacy role in developing a higher level of maritime activity at the Port, maximizing non-maritime revenue opportunities, working with the Waterfront Plan Advisory Board, and seeking additional funding for capital improvements.

At the same meeting, Commissioner Ann Halsted was elected to a second term as Commission Vice President. She is also the President of SPUR, the San Francisco Planning and Urban Research association. ▲

Friends of the Port Set Sail for 1994

At their last meeting in 1993, the Board of Directors of Friends of the Port of San Francisco (FOTP) elected new officers:

President — T. Fergus Moran, Metropolitan California Stevedore Co.
Vice President — Dennis Conaghan, Embarcadero Center
Secretary — Andrea Cook, Nestlé Beverage Co.
Treasurer — Fritz Arko, Pier 39
Immediate Past President — Beverly Mills

Board members retiring at the end of the year included Danny Beagle, Dan James, Dr. Mimi Silbert, and Jay Slattery. In their places four new members were named: David Colleen, Colleen Architects; Pat Farrell, Golden Gateway Center; and Tim Noel, JMB Properties.

Plans for 1994 include continued fundraising efforts to support the archiving of Port photographs and engineering diagrams and further public education efforts, including free public boat tours. Funds are being raised through the sale of a limited edition historical lithograph of the Ferry Building (featured in the spring edition of *WharfSide*).

The handsome art work sells for $300 and may be viewed in the Port main lobby or at Mamone Gallery, 360 Jefferson.

A fundraising dinner, to welcome aboard new Port Director Dennis Bouey and celebrate the 25th Anniversary of the Port, is being developed for late March. Details on the event may be obtained by calling 673-3879.

FOTP Annual Fundraising Dinner

Other projects include a public lecture program which is available, on request, to schools and business or community organizations. The slide show is given by FOTP Board Members and focuses on the historical background of the Port, current status, and future plans.

FOTP is a non-profit organization founded to enhance San Francisco citizens' awareness of their Port, encourage education programs, and preserve the unique history of the waterfront. To become a member, or for further information, fill out the coupon below. ▲

FRIENDS OF THE PORT

☐ **I want to support your waterfront educational programs. Please enroll me as an official member of Friends of the Port of San Francisco. Enclosed is my donation of:**

☐ **$10** ☐ **$50** ☐ **$100**

Make out your tax-deductible check to "Friends of the Port" and mail it to:
Friends of the Port, 3100 Ferry Building, San Francico, CA 94111

Please Print

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Phone (daytime) _____ **(evening)** _____

Area(s) of Special Interest _____

Sign up Now for Membership!

EVENTS AT THE PORT

Each Saturday
9 a.m.-2 p.m. Ferry Plaza Farmers' Market

MARCH

	Waterfront Plan Advisory Board (South Beach Subarea)
8	Port Commission
16	Waterfront Plan Advisory Board (session for public comment on hotels)
22	Port Commission

APRIL

5	Waterfront Plan Advisory Board (Southern Waterfront Subarea)
12	Port Commission
20	Waterfront Plan Advisory Board
24	Opening Day on the Bay
26	Port Commission

MAY

6	Waterfront Plan Advisory Board
10	Port Commission
12	M/V *Maasdam* maiden call
15	M/V *Crown Dynasty* maiden call Bay to Breakers Race
18	Port Promenade Whaleboat Race Waterfront Plan Advisory Board
21	National Maritime Day
24	Port Commission
30	Memorial Day, Port offices closed

All meetings are in the Port Commission room.

COIT TOWER PLAQUE RESTORED

In January, Port Commissioner Frank O'Neill and Paul Grady and Ken Maley of the Coit Tower Preservation Fund, re-dedicated a bronze plaque honoring the maritime history of Telegraph Hill. The plaque, located at the northwest corner of the visitor viewing area at the foot of Coit Tower, had originally been presented to the City in 1961 on the occasion of the maiden call to San Francisco of the Peninsula & Orient (P & O) passenger liner *SS Canberra*, but it was stolen ten years later. The ceremonies marked the ship's return to San Francisco on its annual round-the-world cruise.

MV *ARKONA* MAKES MAIDEN CALL

The cruise ship *Arkona*, a joint venture between the former East German DSR Lines and the West German Senator Lines, made its first visit to San Francisco at the end of January. On hand to welcome Captain Zausch were Commissioner Frank O'Neill, Port Commission Vice President Anne Halsted, and Commission President Preston Cook. Jergen Traub, President of Senator Linie (USA) and Executive Director Dennis Bouey also participated in the ceremonies on board.

Wharfside
The Port of San Francisco
Ferry Building, Suite 3100
San Francisco, CA 94111

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PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 1993 AND 1992

Hood and Strong
certified public accountants

TOMEI & CHU
CERTIFIED PUBLIC ACCOUNTANTS

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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FINANCIAL STATEMENTS

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JUNE 30, 1993 AND 1992

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INDEPENDENT AUDITORS' REPORT

THE HONORABLE EDWARD HARRINGTON, CONTROLLER,
CITY AND COUNTY OF SAN FRANCISCO

We have audited the accompanying balance sheet of the **PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO** ("Port") as of June 30, 1993 and 1992, and the related statements of operations, equity, and cash flows for the years then ended. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 1993 and 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Port has changed its definition of cash and cash equivalents for the statement of cash flows.

Hood and Strong
Tomei & Chu

September 30, 1993

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
BALANCE SHEET
JUNE 30, 1993 AND 1992
(In thousands)

	1993	1992
ASSETS		
CURRENT ASSETS:		
Cash and investments, held in City Treasury - Port operating fund	$ 19,362	$ 18,546
Receivables - Net	11,452	8,889
Materials and supplies	1,245	1,453
Prepaid insurance and other assets	803	918
Total Current Assets	32,862	29,806
RESTRICTED ASSETS:		
Cash held in City Treasury:		
Lessee deposits	868	801
Capital outlay	8,947	13,420
Investments:		
Bond interest and redemption	10,605	10,241
Lessee deposits held in trust	1,023	983
Total Restricted Assets	21,443	25,445
PROPERTY, PLANT, AND EQUIPMENT - Net	190,502	187,123
NOTE RECEIVABLE - Net		605
TOTAL ASSETS	$244,807	$242,979
LIABILITIES AND EQUITY		
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS:		
Accounts payable and accrued liabilities	$ 12,597	$ 7,819
Current maturities of long-term debt	2,255	2,250
Accrued bond interest payable	135	153
Deferred grant	609	
Total Current Liabilities	15,596	10,222
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current maturities of of long-term debt	1,755	1,325
Accrued bond interest payable	2,318	2,385
Lessee deposits	1,891	1,784
Deferred grants	16	75
Total Payable from Restricted Assets	5,980	5,569
DEFERRED REVENUE	337	321
LONG-TERM DEBT - Net of current maturities	63,475	67,387
Total Liabilities	85,388	83,499
EQUITY:		
Contributed capital	21,191	20,132
Revaluation of property	56,063	56,063
Retained earnings	82,165	83,285
Total Equity	159,419	159,480
TOTAL LIABILITIES AND EQUITY	$244,807	$242,979

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF OPERATIONS
YEARS ENDED JUNE 30, 1993 AND 1992
(In thousands)

	1993	1992
OPERATING REVENUES:		
Cargo Services:		
Maritime	$ 7,548	$ 9,589
Rental	826	1,370
Tenant Services:		
Maritime	1,012	1,203
Rental	20,250	19,510
Power	868	989
Other	1,582	1,321
Total Operating Revenues	32,086	33,982
OPERATING EXPENSES:		
Operations	13,455	12,704
Maintenance	11,785	10,445
Depreciation	4,169	4,644
Fire boat operations	1,136	1,187
Commercial power	695	791
Total Operating Expenses	31,240	29,771
Operating Income	846	4,211
OTHER INCOME (EXPENSE):		
Interest income	1,946	2,147
Interest expense	(4,176)	(4,383)
Earthquake damages and expenses	(3,138)	(1,757)
Federal and state earthquake assistance	3,138	1,757
Gain on sale of equipment	264	
Total Other Income (Expense)	(1,966)	(2,236)
NET (LOSS) INCOME	($ 1,120)	$ 1,975

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF EQUITY
YEARS ENDED JUNE 30, 1993 AND 1992
(In thousands)

	Contributed Capital	Revaluation of Property	Retained Earnings	Total Equity
BALANCES AS OF JUNE 30, 1991	$19,294	$56,063	$81,310	$ 156,667
Capital grants	838			838
Net income for the year ended June 30, 1992			1,975	1,975
BALANCES AS OF JUNE 30, 1992	20,132	56,063	83,285	159,480
Capital grants	1,059			1,059
Net (loss) for the year ended June 30, 1993			(1,120)	(1,120)
BALANCES AS OF JUNE 30, 1993	$21,191	$56,063	$82,165	$ 159,419

The accompanying notes are an integral part of this statement.

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 1993 AND 1992
(In thousands)

	1993	1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	$ 846	$ 4,211
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,169	4,644
Provisions for uncollectible accounts	961	83
Net deferral (recognition) of deferred revenue	82	(98)
Insurance proceeds	140	
Cash received (refunded) from lessee deposits	67	(117)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(1,022)	(990)
Materials and supplies	208	(78)
Prepaid insurance and other assets	115	4
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,737	(2,473)
Net cash provided by operating activities	7,303	5,186
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from disaster assistance	1,239	782
Earthquake damages and expenses	(163)	(462)
Net cash provided by noncapital financing activities	1,076	320
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of property, plant and equipment	(6,749)	(1,690)
Capital grants received	1,389	1,183
Principal payments on long-term debt	(3,575)	(4,035)
Interest payments on long-term debt	(5,642)	(5,884)
Interest income capitalized	680	981
Proceeds from sale of equipment	264	
Net cash (used) for capital financing activities	(13,633)	(9,445)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in restricted investments	(364)	245
Interest income received	2,028	2,228
Net cash provided by investing activities	1,664	2,473
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,590)	(1,466)
CASH AND CASH EQUIVALENTS:		
Beginning of year	32,767	34,233
End of year	$ 29,177	$ 32,767

The accompanying notes are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organization:

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the City's Comprehensive Annual Financial Report.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Port's revenue is derived from both property rental and maritime operations which includes dockage, wharfage, demurrage and crane rental. The Port categorizes its customers between cargo services and tenant services based on the primary service need of the customer. Substantially all of the Port's property rental customers are located in the City.

Materials and Supplies:

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost, on a first-in, first-out basis.

Restricted Assets:

Bond interest and redemption represent funds accumulated for debt service payments over the next twelve months and funds set aside to make up potential future deficiencies. The funds are held by the bond trustees.

Capital outlay funds are restricted for use in construction, acquisition of equipment, and earthquake repairs, due to restrictions from federal assistance and bond resolutions.

Property, Plant and Equipment:

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929 and is reflected separately in the statement of equity. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property, Plant and Equipment (Continued):

Other property, plant and equipment is carried at cost or at fair market value at the date received in the case of property received by donation or by termination of a lease.

Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18 million are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such tax-exempt borrowings, is capitalized from the date of borrowing through the construction period.

Contributed Capital:

The Port has, at various times, received federal and state grants and funds from other external sources for construction of waterfront facilities. The funds are recorded as contributed capital in equity.

Statement of Cash Flows:

In 1993 the Port considered, for purposes of the statement of cash flows, all unrestricted and restricted cash and highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents. In addition, the Port considered its deposits with the City Treasurer (See Note 2) to be demand deposits and therefore cash for the purposes of the statement of cash flows.

In prior years, the Port excluded restricted assets from its definition of cash equivalents. The new definition was adopted to improve disclosure of activities affecting cash flows. The prior year statement of cash flows has been restated to apply the change.

Reclassifications:

Certain reclassifications of prior years' balances have been made to conform with the current year presentation.

NOTE 2 - CASH AND INVESTMENTS:

The Port maintains its operating fund cash and investments and a portion of its restricted asset cash and investments as part of the City's pool of cash and investments. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. In addition, a City ordinance prohibits deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. The Comprehensive Annual Financial Report of the City categorizes the level of risk associated with the City's pooled cash and investments.

At June 30, 1993 and 1992, investments held for bond interest and redemption payments by trustees include $10,605,000 and $10,241,000, respectively, invested in a U.S. Agency government fund. The cost approximates market value and the investments may be withdrawn on demand.

At June 30, 1993 and 1992, lessee deposits held in trust include $956,000 and $970,000, respectively, invested in short-term, renewable certificates of deposit. The cost approximates market value and the deposits are insured and held by the Port in its own name.

NOTE 3 - RECEIVABLES:

At June 30, 1993 and 1992, receivables consisted of:

	1993	1992
	(In thousands)	
Trade accounts receivable	$ 3,574	$ 3,902
Less allowance for doubtful accounts	(716)	(410)
	2,858	3,492
City and County of San Francisco	1,239	114
Accrued interest receivable	558	690
Other receivables	380	155
Grants receivable	1,009	789
Federal and state disaster assistance receivable	5,408	3,649
	$11,452	$ 8,889

As discussed in Note 12, the federal and state disaster assistance receivable represents the excess of approved federal and state assistance relating to the Loma Prieta earthquake over assistance and insurance amounts received to date.

NOTE 4 - NOTE RECEIVABLE:

The note receivable relates to deferred rent granted to a current tenant under a lease amendment in 1985. The note accrues monthly interest at a rate equal to the Bank of America prime rate plus two percentage points. The note including accrued interest was due on January 1, 1992.

The tenant's current lease extends to 2017. In 1993, the Port conducted a cash flow study of the underlying property. Based upon this study, the Port determined that a significant increase in rents from the property was needed to generate sufficient cash to repay the note. Therefore, the Port has provided an allowance of the entire balance, $655,000 at June 30, 1993.

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1993 and 1992, property, plant and equipment consisted of:

	1993	1992	Estimated Useful Life (Years)
	(In thousands)		
Land and land improvements	$ 113,136	$ 113,136	
Buildings, structures and related improvements	173,395	171,352	5 - 59
Equipment	4,525	4,149	5 - 25
Total	291,056	288,637	
Less accumulated depreciation	110,437	106,325	
Net	180,619	182,312	
Construction work in progress	9,883	4,811	
Total	$ 190,502	$ 187,123	

Total interest cost was $5,655,000 and $5,898,000 for fiscal years 1993 and 1992, of which $1,479,000 and $1,515,000 was capitalized, respectively. Total interest earned was $2,626,000 and $3,128,000 for fiscal years 1993 and 1992, of which $680,000 and $981,000 was capitalized, respectively.

The cost of fully depreciated assets still in use was approximately $67,300,000 and $58,900,000 at June 30, 1993 and 1992, respectively.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

At June 30, 1993 and 1992, accounts payable and accrued liabilities consisted of:

	1993	1992
	(In thousands)	
Accounts payable	$ 1,886	$1,052
Due to the City and County of San Francisco	901	426
Current portion of deferred revenue	116	50
Accrued liabilities	934	796
Accrued payroll and related costs	2,358	2,068
Accrued earthquake related expenses (see Note 12)	6,402	3,427
	$12,597	$7,819

NOTE 7 - LONG-TERM DEBT:

At June 30, 1993 and 1992, long-term debt consisted of:

	Interest Rate (%)	Fiscal Year Last Series Matures	Balance 1993	Balance 1992
			(In thousands)	
General Obligation Bonds:				
State of California: Fifth Seawall 1958, Series F, G, and H	2.50 - 4.85	1999	$ 4,000	$ 5,055
City and County of San Francisco - Harbor Improvement 1971:				
Series A	4.50 - 5.25	2003	8,000	8,800
Series B	6.3	2005	4,800	5,200
Total General Obligation Bonds			16,800	19,055
Revenue Bonds:				
Series A 1969	7.2	1999	6,100	6,700
Series B 1971	5.5	2001	4,900	5,000
Series C 1984	9.50 - 11.5	2009	40,730	41,350
Total Revenue Bonds			51,730	53,050
Total Long Term-Debt			68,530	72,105
Less:				
Current maturities			4,010	3,575
Unamortized discount - Revenue Bond Series C			1,045	1,143
Net Long-Term Debt			$63,475	$67,387

NOTE 7 - LONG-TERM DEBT (Continued):

The bonds mature as follows:

Year Ending June 30: (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1994	$ 1,055	$ 1,200	$ 1,755	$ 4,010
1995	1,045	1,200	1,925	4,170
1996	670	1,200	2,120	3,990
1997	660	1,200	2,455	4,315
1998	285	1,200	2,685	4,170
Thereafter	285	6,800	40,790	47,875
	$ 4,000	$12,800	$51,730	$68,530

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that budgeted net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested, as discussed in Note 2.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At both June 30, 1993 and 1992, restricted capital outlay funds included unexpended fire insurance proceeds of $1,451,000.

NOTE 8 - OPERATING REVENUES - PROPERTY RENTALS:

The Port leases property and facilities to others. These leases provide for either a 30-day cancellation or for retention of ownership by the Port at the termination of the agreement. Accordingly, all leases are accounted for as operating leases.

NOTE 8 - OPERATING REVENUES - PROPERTY RENTALS (Continued):

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1993	1992
	(In thousands)	
Minimum rentals	$17,057	$17,496
Percentage rentals	4,019	3,384
	$21,076	$20,880

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30: (In thousands)	
1994	$ 10,491
1995	10,303
1996	9,924
1997	9,507
1998	8,429
Thereafter	184,123
Total	$ 232,777

The approximate cost of property subject to operating leases and property held for lease at June 30, 1993 consisted of:

	(In Thousands)
Land and land improvements	$ 47,297
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $102,000)	57,478
Total	$ 104,775

NOTE 9 - EMPLOYEE BENEFIT PLANS:

Retirement Plans:

a. ***City and County of San Francisco***:

The City has a defined benefit retirement plan (The Plan) which is administered by the San Francisco City and County Employees' Retirement System (Retirement System). This note contains condensed information on the Plan. More specific information, including ten-year historical trend data which provides information about progress made in accumulating sufficient assets to pay benefits when due, can be found in the financial statements and supplemental schedules of the Retirement System. The Plan covers substantially all full-time employees of the Port along with other employees of the City. The Plan provides retirement, death and disability benefits. Benefits are based on specified percentages of average final compensation and length of service, with annual cost-of-living adjustments after retirement.

The Plan is financed primarily by (a) contributions from the City, which includes contributions from the Port, (b) employee contributions, and (c) income from investments. Pension expenditures of the City, including that of the Port, are based on rates set by the Retirement Board of the Retirement System. Annual contributions to the Plan are equal to amounts accrued for pension expense and include amortization of past service costs through June 30, 2000. Additional liabilities generated by recent Charter amendments are amortized over the 20 year period beginning with the year of amendment.

In November 1991 the voters approved Proposition A, "The Early Retirement Program." Under the program, three years of age and three years of service were added when calculating the service retirement benefits for all miscellaneous members who elected to retire during the period February 1, 1992 through March 30, 1992. Approximately 1,800 City and County employees retired under the program.

In November 1992, the voters approved Proposition F, "Retirement Allowance Increase." Under the program, Miscellaneous members who retired before July 2, 1991, will receive an increase of $3 a month for each full year of retirement, up to a maximum of $75 a month.

The latest actuarial valuation of the Retirement System was completed in January 1993 by the actuarial firm of Towers Perrin and was based upon employee data and asset information as of June 30, 1992. The significant economic assumptions used in the valuation include: (1) an annual return on investments of 8%; (2) inflation element in wage increases of 5.5%; (3) salary merit increases ranging from 0.5% to 9%; (4) post retirement benefit increases based on required annual cost-of-living adjustments which are a maximum of 2% per year for 75% of retirees and over 90% of active members.

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued):

Retirement Plans (Continued):

a. ***City and County of San Francisco*** (Continued):

The wage inflation assumption used in the June 30, 1992 actuarial valuation was decreased from 6% at June 30, 1991 to 5.5%. This change in actuarial assumption reduced the Plan's pension benefit obligation by $210 million.

The following information is presented as a result of this valuation as of June 30, 1992 and includes substantially all City fund groups:

	(In Thousands)
Pension benefit obligation	$5,200,780
Net assets available for benefits at cost (market value $5,303,039)	4,894,708
Unfunded pension benefit obligation	$ 306,072

The Early Retirement Program and the Retirement Allowance Increase have increased the pension benefit obligation by $99.2 million and $37 million, respectively. Both increases have been reflected in the June 30, 1992 actuarial valuation.

The City (including the Port) met the actuarially determined contribution requirements for the years ended June 30, 1993 and 1992. Pension costs relating to the Port were $1,209,000 and $1,195,000 for 1993 and 1992, respectively.

b. ***State of California***:

The Port also contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Certain employees who commenced their employment at the Port prior to February 1969 are eligible to participate in PERS.

Participating employees are required to contribute 7 percent of their salary to PERS. The Port is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by PERS actuaries and actuarial consultants and adopted by the Board of Administration.

The Port's contributions to PERS totalled approximately $11,000 and $10,000 for 1993 and 1992, respectively. The City's Office of the Controller Comprehensive Annual Financial Report contain disclosures for all covered City employees. Amounts for the Port are not separable from the City totals.

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued):

Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Port employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and income earned (until paid or made available to the employee or other beneficiary) are solely the property and rights of the City and County, subject only to the claims of the City and County's general creditors. Participants' rights under the deferred compensation plan are equal to those of general creditors of the City and County in an amount equal to the fair market value of the deferred account for each participant.

The amount of assets and related participant obligations for Port employees is not separable from the total City plan. The total plan assets and obligations are accounted for in an agency fund of the City and are included in the City's Comprehensive Annual Financial Report. The amounts deferred by Port employees totalled $243,000 and $199,000 for 1993 and 1992, respectively.

Health Care Benefits:

Health care benefits of Port employees, retired employees and surviving spouses are financed by beneficiaries and by the City and County through the City and County of San Francisco Health Service System, a nonexpendable trust fund. The Port's contribution, which amounted to approximately $511,000 and $448,000 in fiscal years 1993 and 1992, respectively, is determined by Charter provision based on similar contributions made by the ten most populous counties in California. The cost of providing benefits for the retirees is not separable from the cost of providing benefits for the active employees. The Port's liability for both current employee and post retirement health care benefits is limited to its annual contribution.

NOTE 10 - RELATED PARTY TRANSACTIONS:

The Port receives services from, and provides services to, various City departments. The cost of services received, included as operating expenses in the financial statements, was approximately $4,495,000 in 1993 and $4,048,000 in 1992. Services provided, included in operating revenue, amounted to approximately $616,000 and $570,000 in 1993 and 1992, respectively. Receivables and payables relating to such transactions are disclosed in Notes 3 and 6, respectively.

NOTE 11 - COMMITMENTS, LITIGATION AND CONTINGENCIES:

Commitments:

The Port is presently planning various development projects which involve a commitment to expend significant funds. The Port had firm purchase commitments at June 30, 1993 for approximately $3,689,000 for capital projects and $499,000 for general operations.

Litigation:

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. In the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include the aggregate amount of deductibles under applicable insurance policies. However, a substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

Contingencies:

Discretionary Reserves:

In September 1992, the California State Legislature amended the Public Resources Code (The Code), enabling the City to transfer discretionary reserves from the Port to the City. The Code defines discretionary reserves as the greater of (a) 25% of the Port's total current assets less total current liabilities ("working capital") reported in the most recent audited financial statements made public prior to June 30, 1992 and each year thereafter, or (b) $4 million. After the Port certifies the amount of discretionary reserves, the City has the option of transferring any or all of such reserves on or before March 31, 1993 and each March 31 thereafter until the provision is repealed. The provision will remain in effect only until June 30, 1994 and as of January 1, 1995 is repealed.

The amount available for transfer before March 31, 1994 would be 25% of working capital as of June 30, 1992, or approximately $4.9 million. The 25% of working capital is approximately $4.3 million as of June 30, 1993. This amount would be available for transfer on or before January 1, 1995.

During fiscal year 1993, the City Board of Supervisors approved a $1 million transfer under the provision of the Code. Subsequently, based on an opinion from the City Attorney that the transfer was unconstitutional, the Board of Supervisors approved the return of the funds to the Port. The $1 million was returned in June 1993 and the City has made no further requests for transfers of reserves from the Port.

NOTE 11 - COMMITMENTS, LITIGATION AND CONTINGENCIES (Continued):

Contingencies (Continued):

Grants:

Certain grants that the Port receives are subject to audit and final acceptance by the granting agency based upon their review of costs incurred.

Concentration of Credit Risk:

The Port leases facilities (commercial and maritime) to businesses, substantially all of which are located in San Francisco. The trade accounts receivable relate to such activities.

Environmental:

The Port has been ordered by the California Regional Water Quality Control Board to close certain landfills with a water unimpregnable surface. The Port estimates the cost to close the specified landfills to be in the range of $8 to $10 million.

The Port has signed an agreement with the Bay Conservation Development Commission concerning a certain pier. The Port has agreed to prepare engineering plans to develop the pier as a park and wetland area. In addition, the Port has agreed to obtain funding for the construction from internal and/or external sources by June 1995.

NOTE 12 - EARTHQUAKE DAMAGES:

The Port suffered damage from the Loma Prieta earthquake which occurred October 17, 1989. All damaged property and infrastructure have been identified. The Port expects to repair all earthquake-related damages, which is currently estimated to total $9,655,000. As of June 30, 1993, $3,253,000 has been expended. These estimates do not include costs relating to seismic upgrades, retrofitting or other improvements.

The Port has been granted $9,655,000 in Federal and state emergency assistance of which $4,107,000 has been received to date. The Port has recorded a receivable in the amount of $5,408,000 which represents the remaining amount of approved Federal and state assistance which the Port intends to utilize to repair and replace its property and infrastructure, less assistance and insurance amounts received to date.

The approved Federal and state emergency assistance will expire October 17, 1993. The Port has recently requested extensions, on all of its repairs, through fiscal year ending June 30, 1996. The Port has not received confirmation of an extension to date but believe the extensions will be granted.

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94/95 ANNUAL REPORT

The Waterfront Plan Advisory Board

In November 1990, the voters of San Francisco approved Proposition H which mandated the preparation of a waterfront land use plan for the Port's 7½ miles of waterside properties from the Hyde Street Pier to India Basin, and placed a moratorium on new non-maritime development, on

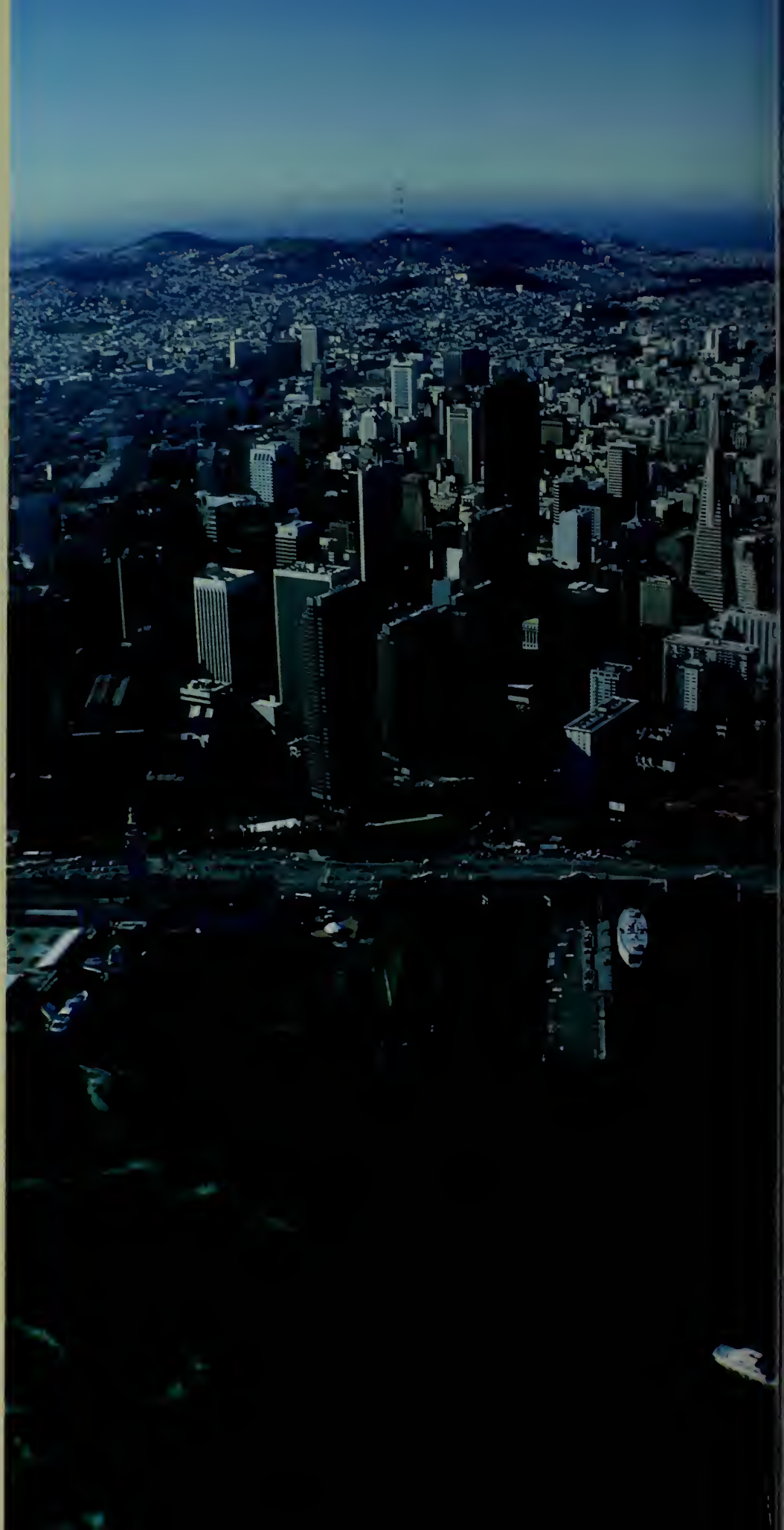
piers and within 100 feet of the shoreline.

To ensure a comprehensive planning process, the Port Commission extended the scope of the plan to include all Port properties, and created the 27 member Waterfront Plan Advisory Board ("Advisory

Board") composed of interested citizens; maritime, Port tenant, labor union, and neighborhood representatives; organizations, architects, planners and other professionals.

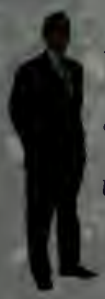
The Advisory Board held public meetings twice monthly for over three years, during which time it conducted an intensive analysis of all regulatory, environmental, land use and

financial issues affecting Port land use, prior to recommending a draft plan for Port Commission review. The Advisory Board will continue to meet quarterly until the final Waterfront Land Use Plan is adopted in late 1996 ✹



People, Property, & Port Facilities

The primary ingredients that make up today's Port of San Francisco.



7½ miles of the world's most breathtaking and spectacular waterfront vistas - Unique locations that introduce and identify San Francisco, helping to make it a world-renowned city -

Facilities and massive capital investments that support the commerce and practices linking the City with the very historic roots that have spawned its unique character - This is the physical Port of San Francisco.

BUT it's the people behind the scenes - the nearly 200 members of the Port Staff pictured here and on the cover - that oversee and maintain the physical, making it work for our more than 300 tenants who utilize Port facilities to conduct commerce and maritime enterprise across 15 different industries.

It's to the Port's greatest asset - its people - that we dedicate this publication ✹

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The San Francisco Port Commission

The Port of San Francisco is governed by a five member Board of Commissioners, each of whom is appointed by the Mayor subject to confirmation by the City's Board of Supervisors. Each member is appointed for a four-year term. In 1994, two commissioners completed their terms: Ming Chang-O'Brien, who served one term of two years, and James R. Herman, who contributed twelve years of dedicated service. Our most sincere thanks on behalf of the City, the Port, and the People of San Francisco goes out to them.

PRESIDENT Preston Cook

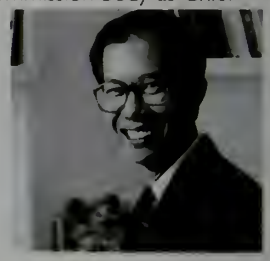
"I'm looking forward to providing the continuity that can help the Port staff achieve their goals of increasing Port income in the near term, and providing a stable foundation upon which the waterfront's plan needs to grow."

Elected to his second one year term as president in 1995, Mr. Cook has served as a commissioner since May 1993. Associated with T R I Realtors for more than fourteen years, he has been involved in the evolution of the Van Ness corridor from "Auto Row" to mixed-uses, and founded the Van Ness Avenue Association in 1983 as a result. He has actively participated in the resolution of many environmental issues, and has published numerous articles on responsible hazardous waste management and other topics of environmental concern. Commissioner Cook also manages a real estate and business investment group.

VICE PRESIDENT Frankie G. Lee

"San Francisco's maritime traditions have historically been beyond the core business of cargo in containers. Ship repair, commercial fishing, pilotage, recreational boating and passenger services are but some of the many businesses that have always comprised maritime in our midst. I will carry forward the tradition-rich aspects of our seaport, and work toward expanding its maritime use, bringing people to the waterfront for commerce and enjoyment."

After joining the Port Commission in 1994, Commissioner Lee was unanimously voted in to the position of Vice President by his colleagues in less than one year: A true vote of confidence. He brings extensive practical experience to the Commission body as Chief Executive Officer of SOH & Associates, Structural Engineers, a firm specializing in the design and retrofitting of building and bridge structures. A founder and current Vice Chairman of the Board of the Trans Pacific National Bank of San Francisco, he has contributed his many technical and managerial insights toward the infra-structural issues facing our changing waterfront. Mr. Lee continues to be active in local minority business development programs, including the California Minority and Women Businesses Coalition, the Council of Asian American Business Association, Chinese for Affirmative Action, the Caltrans Business Council, and the Chinese American Democratic Club of San Francisco.



COMMISSIONER Ann Halsted

Appointed as Commissioner in 1984, Ms. Halsted has served the Port for the past eleven consecutive years. A former Vice President of U.S. Leasing, she has contributed her business acumen and skills and has lent her keen insights into achieving the balances that need to be achieved between business, civic, and community interests. Commissioner Halsted also currently serves on the boards of the City Club of San Francisco; the External Steering Committee for San Francisco State University's Urban Institute; the Institute on Aging; as President of the San Francisco Planning and Urban Research Council; and is a founding member of the Business Executives for National Security (BENS), a national, non-partisan group of business and professional men and women whose goals are to bring business discipline to Pentagon planning and spending.

COMMISSIONER Mike Hardeman

A third generation San Franciscan trained as a journeyman sign painter and pictorial artist, Mr. Hardeman has been heavily involved in local labor unions, serving as a delegate to the All Bay Labor & Building Trade Council since 1973, and currently serving on the Executive Board of the San Francisco Labor Council. Although the newest appointee to the Port Commission, Mr. Hardeman brings an abundance of experience as a San Francisco Commissioner: For the last two years, he has served on the Public Utilities Commission, and from 1987 - 1989 he served on the Human Rights Commission. Aside from his public service, Commissioner Hardeman donates countless hours to many local organizations and worthwhile causes.

COMMISSIONER Francis J. O'Neill

As President and Chief Executive Officer of Menlo-O'Neill Associates, an investment banking and joint ventures firm, Mr. O'Neill lends keen analytical and development skills to the balance of the Commission. He has served previously as chief financial officer for the Menlo Group, and has been associated with GTA, Inc., Armando Investments (a commercial real estate company), and Clarke & Cramer, Inc., an industrial and commercial real estate firm. Mr. O'Neill is the past chairman of the San Francisco Cork Sister City Committee, the program chairman of the San Francisco Rotary Club, and a founding member and past president of the Hibernian Newman Club of San Francisco.

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EXECUTIVE DIRECTOR'S REPORT

This year has been an exciting and difficult time for the Port of San Francisco. The short term represented the problems of a budget deficit of $2.5 million and reorganization of the Port's infrastructure. Both of these challenges required immediate attention and difficult decisions, which unfortunately included budget cuts and downsizing of staff. The Port was able to improve its revenue base by increasing the number of commercial leases from 70 in 1993/94, to 173 in 1994/95. By developing a short term survival strategy which would address this year's problems, we managed to end the year with a net profit of $ 3,001,000. This short term strategy enabled us to focus on our long term goals.

Cargo has been an ongoing effort. Over the last several years, several intermodal container carriers have left San Francisco for Oakland due to rail accessibility, proximity to cargo sourcing, and a geographic and demographic advantage. We have rethought our maritime strategies to adapt to the changing market, and are now focusing our efforts towards intermodal companies that can benefit from the features at our facilities, and can appreciate our financial incentives. We are also heavily targeting non-intermodal carriers in the niche, break bulk and project cargo area.

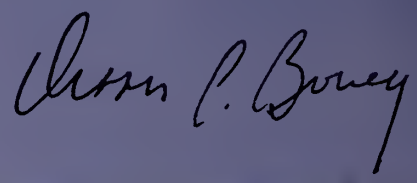
This year, we have seen a tremendous amount of progress made toward the Draft Waterfront Land Use Plan, which was approved by the Port commission this year, after four years of exhaustive work by the citizen-based waterfront Advisory Board and Port staff. The Environmental Impact Report's anticipated completion and final approval of the plan will occur in late 1996. The Waterfront Land Use Plan will create more public access, while allowing the Port to develop and enhance its existing assets.

In July of this year, we saw the completion of Pier 45 's $14 million renovation at Fisherman's Wharf, which created 101,000 square feet of modern fish processing facilities. As of the end of the 1994/1995 fiscal year, the Port had leased 80% of the fish processing space, and we expect to have the balance leased within the next few months. The Port also took unprecedented steps to help improve the day-to-day operations of the fishing industry, including: reducing the price and increasing the availability of ice and fuel; dredging to provide better boat access to the fuel dock and Fish Alley; constructing support facilities for transient fishing and sportfishing boats; and opening a new harbor office at Fisherman's Wharf.

We have seen more people coming to the waterfront for a number of different reasons. The cruise industry has seen an upswing with an increase from 32 to 50 cruise calls in the last two calendar years. The rejuvenation of The Embarcadero has attracted runners, rollerbladers and walkers from the financial district. Residents have been lured by more special events including the Bill Graham New Year's Eve party and the San Francisco Symphony's Black and White Ball. Next year, we hope to see even more people enjoy the waterfront; whether it's dining in one of our twenty-six restaurants or hopping on an excursion boat for a view of the Bay.

The Port has made tremendous progress and overcome adverse obstacles in order to better the waterfront for the maritime industries, businesses, tourists and residents, although there is an immense amount of improvement to be achieved in the coming years. Next year, we will continue to see improvements to Fisherman's Wharf, the Cruise terminal, Ship Repair, and the Ferry Building; the completion of the Pier 52 Boat Launch; and hopefully the berthing of the USS Missouri at Pier 30/32.

This year has in fact been a successful one, in our quest for furthering the betterment of the Port ✸



Proposition P

The Ferry Building has been one of San Francisco's most revered landmarks since its completion in 1898. For generations of Bay Area residents and visitors, it has stood as a symbol of the City's rich waterfront history. With the removal of the Embarcadero Freeway, a strong desire to see the building restored to its former grandeur has revived. The passage of Proposition P in the November 1994 election moves this closer to becoming reality.

Proposition H

In November 1990, San Francisco voters approved Proposition H, which placed a moratorium on all non-maritime development on piers until a comprehensive land use plan (the "Waterfront Plan") was prepared for all Port properties. Since the Ferry Building sits on a large pier structure, the moratorium applies to this historic building. Proposition H therefore has been one of the key obstacles to the Port's ability to proceed with the Ferry Building project.

In early 1994, the Port was successful in its application for several federal grants to fund preliminary planning and design for the Ferry Building renovation project. With the first grant from the Intermodal Surface Transportation Efficiency Act (ISTEA), the Port began to investigate the feasibility of the renovation. The analysis confirmed that a significant funding subsidy would be needed in order to undertake the entire project at once.

During this analysis, it became clear that the moratorium imposed by Proposition H was preventing the Port from generating serious interest from private investors and public funding agencies. Accordingly, Proposition P was

drafted for the November 1994 ballot, to seek an exemption from the moratorium for the building's renovation.

Lifting the Moratorium

Proposition P was placed on the ballot with UNANIMOUS support of all eleven members of the Board of Supervisors, as well as the Mayor. Ballot arguments in favor of Proposition P were submitted by the Board of Supervisors, the Port Commission, the Mayor, the Waterfront Plan Advisory Board, the Foundation for San Francisco's Architectural Heritage, San Francisco Beautiful, and the California Historical Society. With this overwhelming support, the measure was approved in the November 1994 election by nearly 65% of the vote. Proposition P allows the Port and the City to now move forward with the approvals necessary for the Ferry Building project. More importantly, the exemption assures both public and private interests that the Port and City agree the Ferry Building project is a top priority, although the downsizing of available federal assistance will make project financing more difficult to obtain. We liken the Ferry building renovation to the successful Union Street Station in Washington, D.C. and 30th Street Station in Philadelphia.

The Port began environmental review of this project in Fall 1994, and certification is expected in 1996. The Port is pursuing additional federal funding for the project, and is hopeful that it will be able to continue The Ferry Building Renovation ■

WATERFRONT LAND USE PLAN

During this year, the Port of San Francisco passed a major milestone in the comprehensive public planning process to determine the future of the 7½ miles of waterfront under the Port's control. On January 24th, 1995 the Port Commission authorized its staff to proceed with environmental review of the Draft Waterfront Land Use Plan that was recommended by the Waterfront Plan Advisory Board, with some minor modifications agreed upon by the Port Commission (the "Draft Plan"). This accomplishment marked the culmination of a more than three year planning process that included over 100 public meetings of the full Advisory Board, in addition to numerous meetings of the Advisory Board's Financial and Implementation Subcommittees, public workshops and neighborhood and community meetings.

Staff proposed specific changes to a small percentage of the Advisory Board's recommendations, and Public hearings on the proposed revisions were held in November and December 1994, and January 1995. Completion of an Environmental Impact Report subsequent to this review is a precursor to adoption of a final Waterfront Land Use Plan.

GOALS OF THE DRAFT PLAN

Throughout the planning process, the diverse citizens of San Francisco appeared before the Advisory Board and Port Commission asking for the waterfront of their dreams. Some called for maritime industry and commerce. Others called for new recreation and vital business activities - for places to eat and drink, run errands, work, rent a bike, launch a dinghy, or take refuge on a windy and foggy summer day. Still others called for quiet and restful places to enjoy the nature and beauty of the Bay. Most called for all of these places.

The goals of the Draft Plan summarize the public's consensus about what should be achieved on the waterfront, and are reflected throughout the site specific land use policies and options in the over 200 page Draft Plan:

* **A Working Waterfront.** Port lands should continue to be reserved to meet the current and future needs of cargo shipping, fishing, cruises, ship repair, ferries and excursion boats, recreational boating and other water-dependent activities.

* **A Revitalized Port.** New investment should stimulate the waterfront's revitalization, providing new jobs, revenues, public amenities and other benefits to the Port, the City and the State.

* **A Diversity Of Activities And People.** Port lands should host a diverse and exciting array of maritime, commercial, entertainment, civic, open space, recreational and other waterfront activities for San Franciscans and visitors alike to enjoy.

* **Access Along The Waterfront.** A network of parks, plazas, walkways, open spaces and integrated transportation improvements should facilitate access to, and enhance the enjoyment and appreciation of, the Bay environment.

* **An Evolving Waterfront, Mindful Of Its Past And Future.** Improvements should respect and enhance the waterfront's historic character, while also creating new opportunities for San Franciscans to integrate Port activities into their daily lives.

* **Urban Design Worthy Of The Waterfront Setting.** The design of new developments should be of exemplary quality and should highlight visual and physical access to and from the Bay, while respecting the waterfront's rich historic context and the character of neighboring development.

* **Economic Access That Reflects The Diversity Of San Francisco.** The economic opportunities created by commercial uses should be made accessible to persons of both sexes as well as to a representative variety of ethnic and cultural backgrounds, so that those persons receiving these economic opportunities reflect the diversity of the City of San Francisco.

A UNIQUE FLEXIBLE PLAN

In light of constant market changes occurring in maritime and non-maritime operations, an important conclusion was reached during the planning process: the Waterfront Land Use Plan must be flexible. The Draft Plan therefore identifies several acceptable maritime and/or non-maritime land use options for a third of the Port sites to respond to changing market conditions, while also addressing the needs of existing tenants, community concerns and operational requirements. It also acknowledges that there are ample opportunities on Port lands to accommodate maritime, open space and public access, as well as other commercial and recreational uses.

In recognition of the public's overwhelming desire to ensure a future for maritime activities along the Bay, the Draft Plan provides for the long-term needs of the Port's numerous maritime activities - cargo, ship repair, fishing, passenger cruise, ferries, excursions, and those requiring a waterfront location in order to provide their basic functions. Based on information gathered in 1992 during extensive public workshops with maritime industry representatives, and on adjustments in 1994 to reflect current maritime trends, the Draft Plan reserves approximately two thirds of the Port's property to meet the existing and future land use needs of all water-dependent activities. It does this by reserving most Port property south of the China Basin Channel for these uses. It also promotes modernization of commercial fishing operations, including new harbor facilities at Fisherman's Wharf; advocates restoration of the historic Ferry Building as a regional transportation hub by encouraging commuter ferry, water taxi, airport shuttle and other waterborne transportation activities; promotes a new cruise ship terminal; provides additional sites for historic ship berthing, excursion boats and water taxi docks; designates the shoreline adjacent to Mission Bay for expanded and improved public boat launch and recreational boating facilities; and identifies a number of new locations for transient boat docks, providing access for mariner visitors to San Francisco.

The Draft Plan also identifies other activities, such as public access, open space and commercial uses, that can be accommodated on Port property. Such possible land uses were identified in Options for Change, a report published for public review and the subject of numerous public meetings held from Fall 1993 through Spring 1994. Based on public and professional review, and comments on that document, new activities have been identified that will help revitalize and improve the waterfront. These activities will provide revenues to fund maritime and public access improvements, as well as other Port operations such as maintenance and environmental clean-up.

The Draft Plan's flexibility in land use options is balanced by general policies and standards, ensuring that new projects address other concerns. As a further check, for major projects the Plan requires creation of an advisory group composed of community representatives to provide input and guidance to the Port at an early stage in the development process. A continuing role for San Franciscans in shaping future waterfront improvements will be ensured.

In some instances, existing regulatory constraints preclude the Port's ability to seek the diversity of activities called for in the Draft Plan. The Draft Plan therefore acknowledges that further work with state and local agencies is necessary to determine whether revisions or continuing amendments should be made to their land use policies to provide consistent guidance from all regulatory bodies.

THE NEXT STEPS

The entitlement processes of these agencies must be coordinated to streamline the development review and approval process, instead of through sequential and often circular project reviews which waste time and money. This work will continue throughout 1995 and into 1996, with periodic public hearings for receiving comments on any proposed amendments.

Concurrently, the EIR for the Draft Plan will be completed by late 1996. The Port Commission can then adopt the Waterfront Land Use Plan and forward:

1) conforming amendments to the City's Master Plan and City Planning Code for review and action by the Planning Commission and the Board of Supervisors
2) conforming amendments to BCDC's plans and policies, for review and action by BCDC •

Waterfront Transportation Projects

In January 1981, the San Francisco Board of Supervisors, Caltrans, and the Metropolitan Transportation Commission jointly submitted a request to the federal government for a substitute to the unconstructed portion of the waterfront freeway. The subsequent approval by the U.S. Department of Transportation led to lengthy studies for the I-280 TCP. An Environmental Impact Report (EIR) was prepared and certified by the City Planning Commission in late 1985 with planning and design for the Waterfront Transportation Projects then begun in early 1986. In October 1989, while in detail design of the Embarcadero Roadway Project, the Loma Prieta Earthquake struck the Bay Area damaging the Embarcadero Freeway and Terminal Separator Structure. This necessitated its closure for reasons of safety. In 1994, Caltrans completed demolition of the structure with the intent to rebuild in-kind to current construction standards. During demolition, the City began, once again, to question the need or practicality of such an obtrusive structure along its waterfront. The issue was brought to the Board of Supervisors, who ultimately decided that the Terminal Separator Structure and Embarcadero Freeway should not be reconstructed: Substitute projects offering the necessary transportation benefits were to be considered.

A planning effort for the replacement projects including a redesign of the Open Space area at the foot of Market Street began in 1990. These studies were incorporated into the ongoing planning, design and construction efforts for the roadway and transit improvements along The Embarcadero, which were part of the original I-280 TCP. The projects are managed by the Waterfront Transportation Projects Office, which reports to the Chief Administrative Officer (CAO).

The Waterfront Transportation Projects are composed of nine projects along the northeastern waterfront of the City. These projects are referred to by title as:

- The Embarcadero Surface Roadway Reconstruction Project
- Mid-Embarcadero Roadway Project
- Terminal Separator Replacement Project
- Muni Metro Turnback Project
- Muni Metro Extension Project
- Mid-Embarcadero Open Space Project
- F-Line Lower Market Extension Project
- F-Embarcadero Fisherman's Wharf Loop Project
- Traffic Systems Management (TSM) Project (on Bay and North Point between Van Ness & The Embarcadero)

Most of the projects are located within the San Francisco Port Commission's jurisdiction, which administers the Port lands as a State Land Trust. The Embarcadero Surface Roadway Reconstruction Project involves the reconstruction of the roadway from North Point Street south on The Embarcadero to Broadway, and from Folsom Street south onto and including King Street to the vicinity of 6th and Berry Streets. The South Embarcadero portion from Folsom to King and Second Streets was completed in July 1994. The design of The Embarcadero includes a twenty-five foot wide bayside pedestrian promenade, landside walkways, historical and abstract art projects, signalized crosswalks, and a rail transit system located in the center of the corridor separated by medians landscaped with palm trees that can survive gale force winds and high salt content in the air.

The Mid-Embarcadero Roadway and Terminal Separator Replacement Projects will replace the Terminal Separator Structure and Embarcadero Freeway (SR-480) by providing a system of freeway connections and street improvements which will provide motorists with accessibility comparable to the previous system. The project limits include The Embarcadero between Folsom Street and Broadway, as well as the surface streets adjacent to the I-80 mainline freeway. The environmental document

currently analyzes four build alternatives for the combined replacement project. It is anticipated that the Draft EIS/EIR will be published in the Spring 1996.

With few exceptions, the Surface Roadway Replacement Project will provide The Embarcadero with four lanes. The project is funded by the Federal Highway Administration Interstate Transfer Funds, State Highway Funds, and local transportation sales tax funds.

The Muni Metro Turnback Project (MMT) and Muni Metro Extension Projects (MMX) are intended to relieve the excessive delays currently encountered by the Muni Metro trains under Market Street as they approach the waterfront area at Embarcadero Station. The MMT Project extends the subway tunnel eastward and southward, bringing it to grade on The Embarcadero at Folsom Street. The installation of additional underground switches and turnback tracks will increase operational efficiencies and the capacity of the Muni Metro system. The MMX Project continues the tracks from the subway portal of the MMT Project southward on The Embarcadero and onto King Street, to approximately 6th and Berry. This extension will add five high-level, center-loading platform stops, that will provide service to the Rincon Point, South Beach, and proposed Mission Bay communities, as well as the Joint Powers Board Caltrain depot at Fourth and Townsend Streets. The MMT Project is funded by Federal Transportation Administration (FTA) grants, state rail bonds, and local sources. The MMX project is funded by FTA grants, state rail bonds, Bay Area Rapid Transit (BART) capital reserves, and local transportation sales tax proceeds.

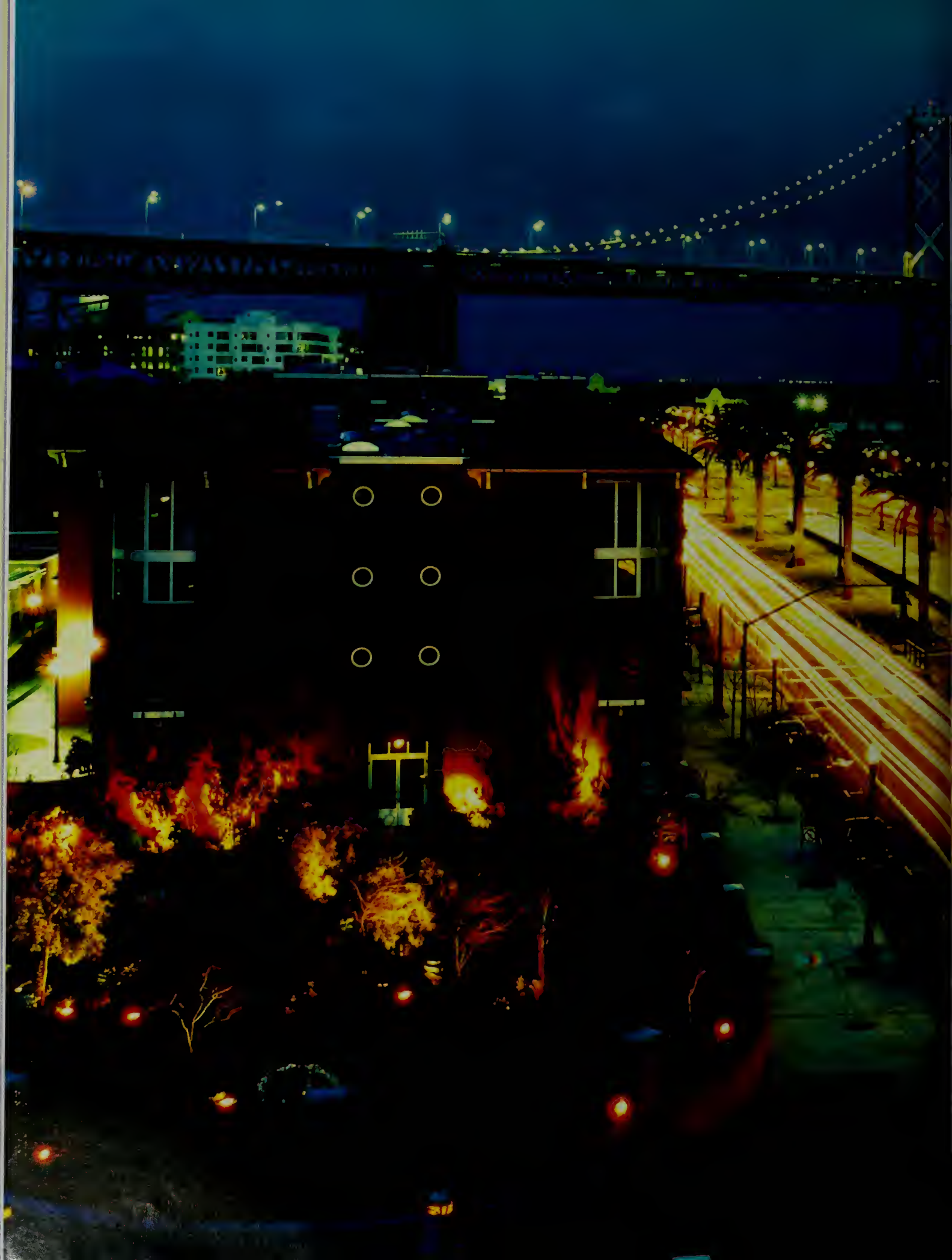
As a result of the demolition of the Embarcadero Freeway, the potential for a new public open space has been created at the foot of Market Street. Through the Mid-Embarcadero Open Space Project, the City will consider the land use, implementation feasibility, urban design character and open space programming for the area bound by Mission Street, Steuart Street, Washington Street, and The Embarcadero. The City will forward a recommendation for the re-use of this area.

The F-Line Lower Market Extension project will extend the historic surface rail system from Fremont and Market Street to The Embarcadero corridor. The F-Embarcadero Extension Project will then extend the rail service north along The Embarcadero to Jefferson Street.

The F-Embarcadero Fisherman's Wharf Loop Project will extend rail service west on Jefferson Street, south on Jones Street, and east on Beach Street, completing a one-way loop through the Fisherman's Wharf area, and returning to The Embarcadero. Six-inch high, curbed waiting areas will serve as streetcar stops. The F-Line fleet will consist of renovated Presidential Conference Car (PCC) streetcars, augmented by the international historic fleet during peak seasons and weekends. The service will accommodate new ridership generated by the developing northeast waterfront community, and those seeking an alternate service to the Powell Street cable car line. This project is funded by state rail bonds, local transportation sales tax proceeds, and other local sources.

The Traffic Systems Management (TSM) Project consists of a series of signage and signal improvements to improve the safety and accessibility for automobiles and pedestrians on and across Bay and North Point Streets between Van Ness and The Embarcadero. The TSM Project is funded by Interstate Transfer Funds and the local transportation sales tax.

These projects will serve to improve local and regional transportation, including business and recreational maritime access. The completion of the South Embarcadero Project marks the genesis of the transportation of The Embarcadero. The final restoration is expected to be completed by 1999, and will position the Port as a renewed destination point going into the next century ●



Working Toward Revitalizing The Port

The Waterfront Transportation Projects are a set of roadway and transit projects which will improve both local and regional transportation along the City's bay front. Caltrans's original proposal for an elevated freeway by-pass system was to link I-280, the Bay Bridge, and the Golden Gate Bridge with an elevated structure over The Embarcadero, from Mission Street through Fisherman's Wharf and the Marina District. In the 1960s, after partial completion, many citizens of San Francisco strongly opposed the elevated freeway. Ultimately, in the mid 60s, the Board of Supervisors passed a resolution asking Caltrans to stop all efforts associated with a waterfront freeway. These roadway projects resulted ●

INDUSTRY DEVELOPMENTS

SAILING HIGH: CRUISE BUSINESS AT SAN FRANCISCO EDGING UP SIGNIFICANTLY

A recent cruise industry survey has determined that the majority of cruise passengers expect some day to return to the same destination they have cruised for a future vacation. Most cruisers use a passenger ship as a vehicle for sampling future vacation destinations. This is indeed good news for the City as the Port of San Francisco will experience a 38% increase in the number of cruise ship calls over the prior year. San Francisco logged 47 passenger vessel calls in this fiscal period.

Tied heavily to the Alaskan cruise market, most of these ships visiting the City involve Pacific Northwest ports of call. San Francisco remains an effective stopping point enroute, as the fleets head northerly from warmer climes in the South during the spring, only to be repeated again in the fall when the fleets traditionally return to their warm "winter homes." Alaska now ranks third among all possible destinations frequented by North American passengers, and continues to be a strong market, registering 12% annual growth on average for each of the past ten years. As the interest and support for this market continues, increased congestion at Vancouver, the base of the Alaskan trade, means that more ships plan different stops and lengthier, more interesting itineraries in order to prevent a bottlenecking effect at the beginning and end of the Alaskan Summer season. San Francisco was able to increase its total annual calls by 13 over the prior period given this migratory pattern.

Newly built ships continue to make San Francisco a premier Port of Call: From top to bottom – the m/v. SILVERCLOUD; m/v RYNDAM; m/v LEGEND of the SEAS; m/v SYMPHONY.

Though cruise travel continues to be one of the fastest growing areas of travel tourism, the West Coast has not been able to take full advantage of the growth. In fact, several California ports have seen a downturn in business, primarily because of the State's ban on casino-style gaming aboard vessels operating in international waters, but among California ports. CAPA, the California Association of Port Authorities, is assisting in seeking legislative relief at the federal level to clarify jurisdictions, which should pass in 1996 and revive lost business experienced in the past two years.

Also impeding expansion of Central West Coast cruise activity, however, are the requirements imposed by the Passenger Act of 1886. This set of legislative standards requires any foreign-flagged vessel to incorporate a foreign port of call in its itinerary, and then return each passenger to the same U.S. port from which they embarked. Given the distances involved between the

Cruise Lines Servicing San Francisco

	2 & 3 Day Cruises	Fall Bay & Delta	Spring Inaugural	Round-the-World	Roundtrip Alaska	Trans-Canals
Carnival Cruise Line			●			●
Celebrity Cruises			●			●
Clipper Cruises		●				
Crystal Cruises	●				●	●
Cunard/Royal Viking Line				●		
Holland America Line	●					●
Navy Club of Genoa				●		
Nippon Yuisen Kaisha				●		
Norwegian Cruise Line	●					●
Peninsular & Oriental Steam Navigation			●	●		
Princess Cruises	●				●	●
Regency Cruises	●					●
Royal Caribbean Cruises, Ltd.	●					●
Royal Cruise Line				●	●	
Seabourn Cruise Line	●					●

Central Coastal ports and our foreign neighbors to the North and South, the time involved for such a complete itinerary is at least ten days, and undesirable by the standards of most younger travellers and families. Still, legislative change that would relax these restrictions is gaining momentum among House and Senate members. Such a change has the potential to give rise to a whole new domestic market that has never been seen before in San Francisco.

Fiscal Year 1994/95 finished as a banner year for San Francisco, as more interest in the longer 10-12 day roundtrip excursions to Alaska was registered. See the previous table for a listing of the 15 lines who will be calling at San Francisco next year, as well as the types of passages they will offer ✹

The Port of San Francisco Goes Way Beyond Containers

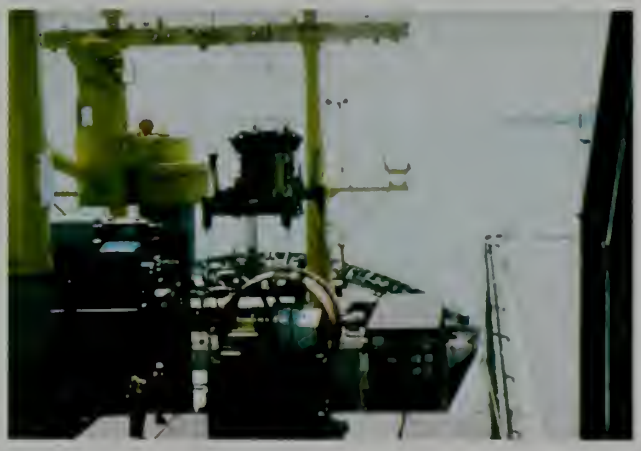
While many West Coast ports offer services to either the container or breakbulk markets, the Port of San Francisco has the unique advantage of being able to serve both. The ability to offer services to the project and breakbulk cargo principals paid off for the Port in 1995.

The Port has long been the call of choice for more traditional non-containerized shipments including newsprint and Mercedes automobiles, as well as containerized trade from Latin America. Further adding to this base in 1995, the Port was able to attract major project moves destined for all parts of the world. Starting early in the year, an Intermarine vessel called at the Port to load the Erickson Air Sky Crane — en route to Malaysia for environmental logging purposes, and large quantities of steel structurals bound for Bangkok. The Serpac group loaded over one million pounds of machinery and kilns transported from a closed-down cement plant in San Andreas, California, bound for a Bolivian mining site, where this machinery was installed into a plant used by the gold, copper, and limestone industries. Because of the ability for the Port to offer staging areas and flexible free times, Norsúl Internacionál was able to book 2,000 tons of machinery that originated at the Toyota Tsusho America plant in Fremont, California. The plant was destined to a new production site, making it the first auto plant for Toyota in Brazil. It will manufacture autos for the Brazilian market as well as exports to Mexico and possibly the United States.

Shippers found that the Port's facilities were ideal, as they were able to take advantage of the on-dock rail, secured paved land for staging and marshaling, deep water draft, cranes, and warehouse space found here at San Francisco.

They found that the Port also understood their need to be cost effective, and they were able to obtain the flexibility in pricing and free times that were needed in order to remain competitive.

The Port of San Francisco continues to refine their services for this market, confirmed by recent tariff filings. The Port's crane rate for breakbulk moves was lowered to an equivalent of 65% of the container crane rates, and extended free time and reductions in tariff rates were also filed for the breakbulk items. The Port intends to remain committed to this market, and is looking forward to an increase in the project and breakbulk tonnages to be moved in 1996 ✹



Machinery from a closed cement plant in San Andreas, California is loaded at San Francisco aboard the M/S Buenaventura, bound for a Bolivian mining site.

Industry Developments

Bringing The Fish Back To Fisherman's Wharf

After years of planning, design and input from the fishing industry, the Port of San Francisco completed the Pier 45 Commercial Fishing Center at Fisherman's Wharf. The $14 million dollar renovation project which opened to rave reviews last August, is aimed at rejuvenating San Francisco's seafood industry – the industry that defines Fisherman's Wharf.

Pier 45 suffered extensive damage during the 1989 Loma Prieta earthquake, forcing many fishing companies to leave Fisherman's Wharf. The modernization of the fish processing facilities at Pier 45 signals a renaissance for San Francisco's fishing industry. The scope of the project has allowed the Port to reconfigure the fish handling facilities and to better meet the operational and sanitation needs of the fishing industry. Built in the 1920s, the pier underwent a complete renovation this year that included new utilities, a seismic upgrade, and a new wastewater system that will help protect the water quality of San Francisco Bay. The Commercial Fishing Center at Fisherman's Wharf will supply the highest quality seafood to local, regional and world markets, and be a model for modern fish processing facilities throughout the United States.

The Port has already signed eleven leases with seafood companies who will open processing and receiving operations at Pier 45. These include some with a number of California's largest seafood companies who are moving operations to the Wharf for the first time.

The fishing companies to sign leases this year included A. LaRocca Seafood, Caito Fisheries, J&K Trading Company, Monterey Fish, North Coast Fisheries, Sea Win Fish, Lusamerica Foods Inc., Polar Ice, All Shores Seafood, Youngs Seafood and H&N Fish Company. H&N fish is one of the West's largest seafood producer processor, distributor, and wholesaler. They have signed a ten year lease for nearly 20,000 square feet of Pier 45 for use as a major production facility. When fully occupied, it's expected that companies doing business at the Commercial Fishing Center will provide approximately 150 jobs.

The reopening of the Pier 45 Commercial Fishing Center is the cornerstone of our efforts to keep the fish in Fisherman's Wharf. And according to John Caito, Chairman of the Board of Caito Fisheries, Inc, whose company has been operating in San Francisco since 1885, "It's been decades since we've had an operation at Fisherman's Wharf, so it's a dream come true to be moving back."

The repair, renovation and seismic upgrade of the 11.2 acre complex was largely financed by economic development and disaster assistance grants from federal and state agencies. Reimbursement for the costs of earthquake repairs was obtained from the Federal Emergency Management and Assistance Agency (FEMA) and the California Office of Emergency Services. Other substantial grants were received from the State of California Trade and Commerce Agency and the U.S. Department of Commerce Development Administration. The U.S. Department of Commerce recently selected the Pier 45 Project as the most outstanding public works project for the Western Region ✹

San Francisco Ship Repair

In retrospect, ardent strides may be the term that comes to define San Francisco's ship repair industry this year. After recognizing the magnitude of job losses facing this industry locally due to base closures and defense spending cutbacks, the Port sized up the barriers that local repair companies would face in their transition toward capturing a larger commercial client base. Working closely with our two ship repair tenants, a plan was crafted to successfully maneuver through these new commercial realities. Over the past five years, the yards' managements have worked in concert with labor to craft bargaining agreements that have been successful in preventing cost increases, and keeping the local yards globally competitive.

San Francisco has the only commercial ship repair facilities between Portland and Southern California: 45 acres of land are dedicated to ship repair and divided between two repair yards, San Francisco Drydock (SFD) and Service Engineering Company (SECO).

Moving away from a traditional fixed rent basis, the City's Board of Supervisors approved the Port amending its thirty year lease with San Francisco Drydock Company for 49 acres of land, water, and buildings at Pier 70. By design, the amendment only affects the original lease terms for the years 1994 through 1997; the key transition period during which local repair yards hope to establish a market presence that will see their declines in defense-based revenues offset by larger amounts of commercial work. Working as a partner, the Port's amendment provides for a new percentage rent structure that sets monthly payments based on 3% of gross receipts attained by the ship yard, with a guarantee to the Port of $1 million per year. In exchange, the total area for tenant occupancy was reduced 34%, from 49 acres to 32.3 acres. A potential revenue offset is anticipated by the Port, as the newly freed-up lands are again available for re-leasing, either by Port staff or through the tenant's efforts.

San Francisco's yards together will generate more than $51 million in sales by year-end 1995, will provide $1.5 million in direct revenues to the Port, and employ 700 workers.

Big gains in locating alternative investment sources were also made by the Port as its application for $2 million worth of repairs to the six cranes supporting the two Port-owned drydocks at Pier 70 was approved in March 1995. $1.5 million in funds from the United States Economic Development Administration and $250,000 from the State of California, when combined with the Port's own $250,000 contribution, will provide the funds necessary to fully renovate all six cranes, and protect the asset value of nearly $20 million that the Port has invested in the drydocks ✸

San Francisco's approved economic development project will create approximately 58 new jobs, and will yield a more modern facility, capable of handling the largest passenger ships on the water, and all but 13 ocean going tankers in the West Coast trade.

BALANCE SHEET

As of June 30, 1995 and 1994 (in thousands)

Assets	1995	1994
Current Assets:		
Cash and investments, held in City Treasury – Port operating fund	$ 21,135	$ 19,068
Receivables – net	16,844	16,152
Materials and supplies	1,174	1,403
Prepaid insurance and other assets	231	319
Total Current Assets	**39,384**	**36,942**
Restricted Assets:		
Cash-Contract retention deposits	748	
Cash held in City Treasury – Lessee deposits	1,199	940
Capital outlay	6,090	7,855
Cash held by Trustee – Bond interest and redemption	9,105	5,981
Investments – Lessee deposits held in trust	896	1,169
Total Restricted Assets	**18,038**	**15,945**
Property, Plant, and Equipment – Net	195,797	191,880
Other Assets	740	430
Total Assets	**$ 253,959**	**$ 245,197**

Liabilities and Equity	1994	1995
Current Liabilities Payable from Current Assets:		
Accounts payable and accrued liabilities	$ 16,845	$ 15,374
Current maturities of long-term debt	1,870	2,245
Accrued bond interest payable	95	115
Total Current Liabilities	**18,810**	**17,734**
Current Liabilities Payable from Restricted Assets:		
Current maturities of long-term debt	2,225	
Accrued bond interest payable	1,501	250
Lessee deposits	2,095	2,109
Contract retention payable	748	
Deferred grants	367	909
Total Payable from Restricted Assets	**6,936**	**3,268**
Deferred Revenue	518	277
Long-Term Debt – Net of current maturities	60,215	64,195
Total Liabilities	**86,479**	**85,474**
Equity:		
Contributed capital	26,700	21,944
Revaluation of property	56,063	56,063
Retained earnings	84,717	81,716
Total Equity	**167,480**	**159,723**
Total Liabilities and Equity	**$ 253,959**	**$ 245,197**

The full financial statements and independent auditors' report may be obtained for $2.50 ($1.80 duplication and $.70 postage) by writing to the Financial Manager: Port of San Francisco, Suite 3100, Ferry Building, San Francisco, California 94111.

STATEMENT OF OPERATIONS

Years Ended June 30, 1995 and 1994 (in thousands)

	1995	1994
Operating Revenues:		
Cargo Services:		
Maritime	$ 3,449	$ 5,692
Rental	1,167	1,032
Tenant Services:		
Maritime	646	709
Rental	24,722	21,709
Power	699	740
Other	1,529	2,549
Total Operating Revenues	**32,212**	**32,431**
Operating Expenses:		
Operations and maintenance	21,779	23,759
Depreciation	4,783	4,544
Fire boat operations	1,101	1,215
Commercial power	559	616
Total Operating Expenses	**28,222**	**30,134**
Operating Income	**3,990**	**2,297**
Other Income (Expense):		
Interest income	1,731	1,673
Interest expense	(3,261)	(4,419)
Earthquake damages and expenses	(7,946)	(5,031)
Federal and state earthquake assistance	7,946	5,031
Gain on sale of materials	16	
Other	525	
Total Other Income (Expense)	**(989)**	**(2,746)**
Net Income (Loss)	**$ 3,001**	**($ 449)**

INCOME STATEMENT ANALYSIS

The Port of San Francisco recorded Net Income of $ 3,001,000 on Operating Revenues of $32.2 million primarily due to a decrease of nearly $2 million in operating expenses, and a significant decrease in the Port's interest expense realized through its Revenue Refunding Bonds issued in June of 1994. Meanwhile, aggressive efforts by Port staff led to the identification of other industries and facility uses, and yielded new business.

Operating Revenues

Operating revenues decreased slightly by 0.7% to $ 32,212,000. Cargo Services income accounted for 14.3% of total revenues, down from the previous year. Meanwhile, income from Tenant Services reported an increase of nearly $3 million, accounting for $ 26,067,000 or 80.9% of total revenues.

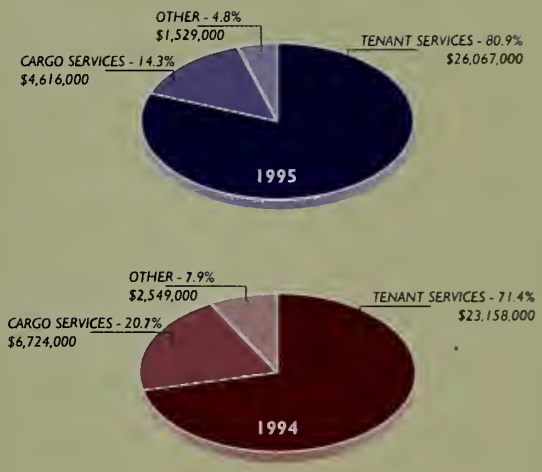
Cargo Services' maritime revenues were down due to a decline in containerized liner traffic. Tenant Services income, which is a combination of property rentals and maritime revenues from the passenger cruise, ship repair, excursion, ferry, recreational boating, and harbor service industries, showed an increase of nearly $3 million. Of this, commercial property rentals were up 13.9% due to aggressive leasing programs approved by the Port Commission: 173 new leases were entered into during this fiscal period as compared to 70 in the prior period. Power sold by the Port was down 5.5% from the prior year. The Other Revenues category registered a decline of 40% compared to the prior period, which had included several one time payments.

Operating Expenses

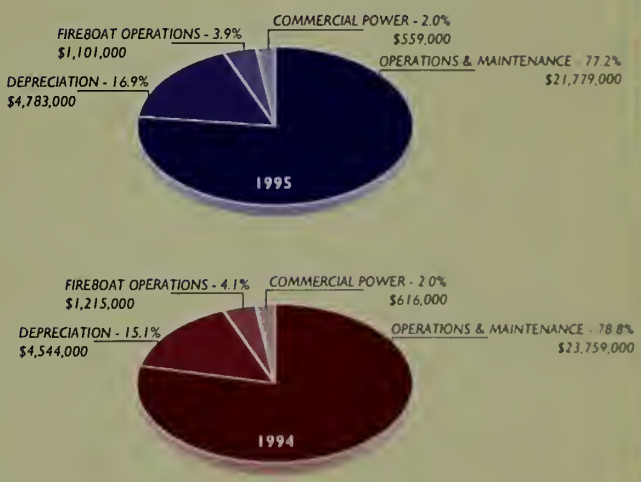
Operating expenses decreased 6.3% to $ 28,222,000. Though Operations & Maintenance continued to comprise the expense majority, nearly $2 million in savings were realized compared to the prior year. Other areas registering expense reductions were fire boat operations and commercial power, each of which averaged a 9% decline against Fiscal Year 93/94. The sole expense category to register an increase was depreciation, which was up 5.3% to a level of $4.8 million.

Other Income (Expense)

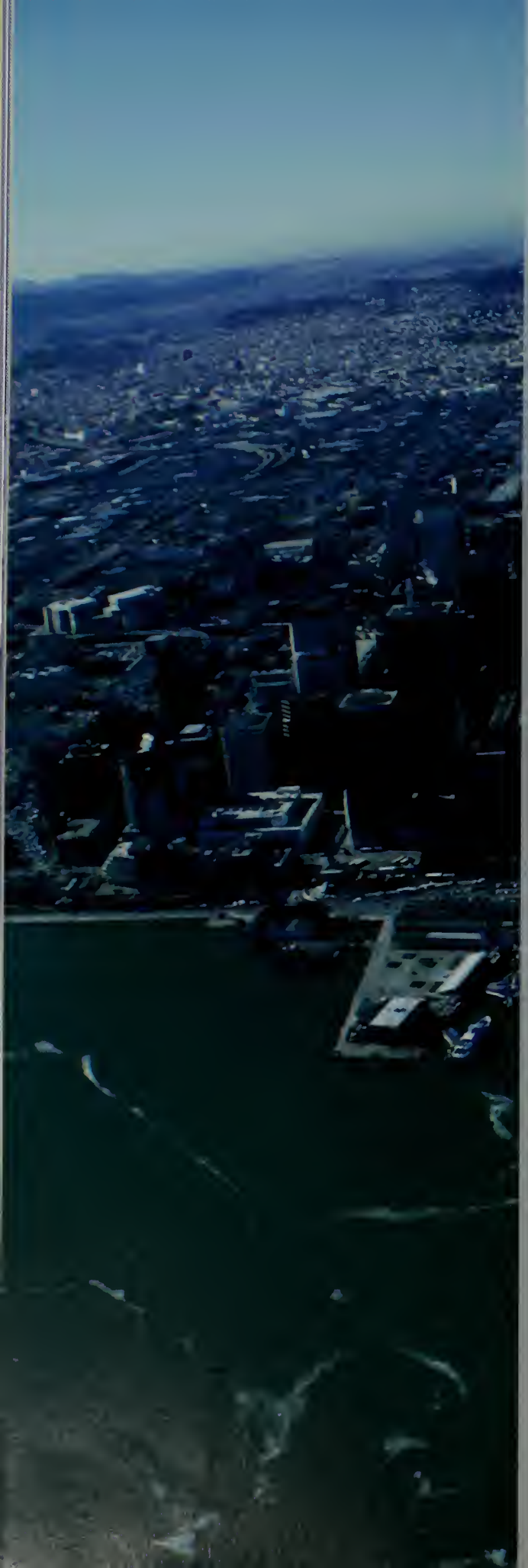
The net decrease of 64% in Other Income (Expense) was primarily the result of a combined increase in interest income, and a $1.2 million decrease in interest expense. On June 28, 1994, the Port issued $ 53,610,000 in Revenue Refunding Bonds with an average interest rate of 5.8% to advance refund $ 49,975,000 of outstanding Revenue Bonds with an average interest rate of 8.4%. Also, a one time fee of $ 525,000 was received in 1995 from a permanent easement on Port property ✹



OPERATING REVENUES

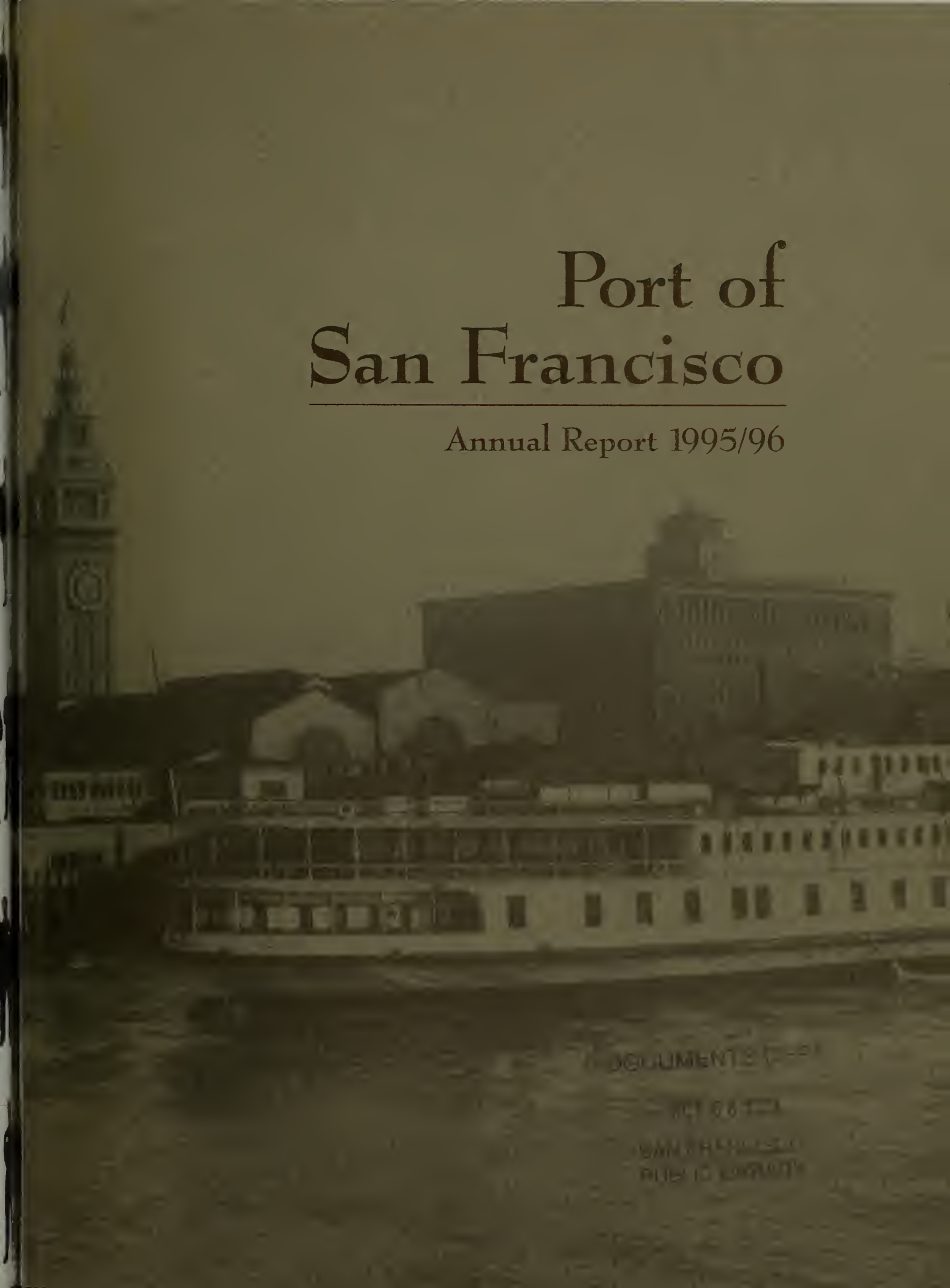


OPERATING EXPENSES



Port of San Francisco

Annual Report 1995/96



The San Francisco Port Commission

The Port of San Francisco is governed [illegible] Board of Co[illegible] each of whom is appointed by the Mayor [illegible] by the City's Board of Supervisors. Each member is appointed for [illegible] 1995-1996, [illegible] missioners completed their terms: Frank [illegible] and Anne Halsted, who contributed 11 years [illegible] the Port and the people of San Francisco [illegible]

Port of San Francisco

Annual Report 1995/96

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Port of San Francisco

Annual Report 1995/96

The San Francisco Port Commission

The Port of San Francisco is governed by a five member Board of Commissioners, each of whom is appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. Each member is appointed for a four-year term. In 1995-1996, two commissioners completed their terms: Frank O'Neill, who served one four-year term, and Anne Halsted, who contributed 11 years of dedicated service. On behalf of the City, the Port and the people of San Francisco our most sincere thanks go out to them.

Commissioner Michael Hardeman (President)
Mr. Hardeman is the Business Manager and Financial Secretary of Local 510—Sign Display and Allied Crafts.

Commissioner Frankie Lee (Vice President)
Mr. Lee is a professional engineer and Chief Executive Officer of SOH & Associates, an engineering firm.

Commissioner Preston Cook
Mr. Cook is a principal at TRI Realtors, specializing in commercial real estate.

Commissioner James Herman
Mr. Herman is the President Emeritus of the International Longshoremen's and Warehousemen's Union (ILWU).

Commissioner Denise McCarthy
Ms. McCarthy is the Executive Director of the Telegraph Hill Neighborhood Center.

Executive Director's Report

Over the last year we've made tremendous progress in our continuing effort to make the Port of San Francisco a self-supporting entity that the citizens of San Francisco can be proud of. We've done so by capitalizing on the Port's unique balance of maritime commerce and commercial, recreational and public access activities. The Port hosts 12 different industries that co-exist—and thrive. For the second consecutive year we have posted a positive net income, ending 1996 with earnings of $4 million, up $1 million over last year. We were able to accomplish this by increasing both productivity—operating revenue per position is the highest in the documented history of the Port at $156,000—and efficiency. At the same time we continue to subsidize our maritime industries.

Building our cargo shipping business has always been a priority and our aggressive marketing program, highlighting our first-rate facilities and services, is now producing results. This fall, after the end of our fiscal year, we signed four new shipping lines—the Serpac consortium (Grancolombiana, Chilean Line and Columbus Line) and Madrigal-Wan Hai lines—that will soon call Pier 96 home. These new tenants are the first dividends of our new cargo marketing strategy which focuses on small-to-medium container shipping lines, project cargo, and breakbulk and niche cargoes. I'm confident that our marketing efforts will attract many more cargo lines to operate out of San Francisco in the near future.

Our other maritime industries, cruise lines, ship repair, fishing, excursions and ferries each have seen solid increases over the past three years. In 1995/96 we had 44 ocean-going and 12 inland cruise calls. These vessels brought 60,000 people through our Pier 35 Cruise Terminal, a facility that is currently undergoing a $2 million upgrade. The Port lost one ship repair company, but San Francisco Drydock increased the number of cruise ships which it repaired and/or serviced. The Pier 45 fish processing center is now completely leased and has helped revitalize the fishing industry while increasing revenue by 50% over the 1993/94 fiscal year. Demand for the center, one of the finest in the United States, may warrant an expansion for this revitalized Port industry. Both excursion and ferry businesses have increased and we hope to see additional gains in these industries after the Downtown Ferry Terminal Expansion project is completed in 2000.

Commercial operations, which account for 64.3% of our operating revenue, have also increased at the Port . We signed 120 new or renegotiated leases for this fiscal year, adding up to more than 400 leases over the last three years in the maritime, industrial, commercial and retail industries. Our film revenue jumped 250% as nine major motion pictures, as well as numerous television shows and commercials, were shot on Port locations. The waterfront also became more of a public destination. Over a million local and regional visitors came to the area for special events such as Herb Caen Day and Fleet Week.

These commercial operations have efficiently used existing assets to increase revenue, enabling us to continue to subsidize maritime operations, improve facilities and fund our capital improvement projects. This year we made extensive progress in several of our capital improvement projects including the Pier 52 Boat Ramp, Fisherman's Wharf Lighting, the Cruise Terminal, the Hyde Street Harbor, and the Ferry Terminal Expansion and Renovation.

The Waterfront Land Use Plan (detailed on page 10) is in the last stages of the approval process, and the Environmental Impact Report is expected to be certified in December. After adoption, the Port Commission can lift the non-maritime development moratorium to attract new businesses. The Commission, however, is not expected to adopt the Plan until we have concluded our negotiations with the Bay Conservation Development Commission, City Planning and State Lands Commission. In some cases, the complex negotiations will amend decades-old policies to conform with current Port status and expidite administrative approval procedures. Once the moratorium is lifted, however, we hope to see additional projects that will continue to attract people to the waterfront by carefully combining commercial, recreational, maritime, entertainment and public-access activities. Public access will be a critical element of each new project, including new parks, fishing areas and the Port Walk which will span 7.5 miles. The Plan's completion will also ready the Port for any decisions made by the City regarding the management of Treasure Island.

When I became the Executive Director in 1994, I had many goals: to return the Port to profitability, to complete the Waterfront Land Use Plan, to re-focus our cargo strategy and to bring the public to the waterfront. Three years later I'm happy to report that with the extraordinary dedication of Port staff, we will have realized our goals by the end of 1996. The critical building blocks are in place and the Port, one of the City's most valuable assets, is poised for greatness. It is with great sadness that I will not be serving as Executive Director as the Port continues its successes. I'm confident, however, that the Port will continue to improve. I will always cherish my years at the Port, the staff who helped make them so enjoyable, and the achievements during my tenure.

Financial Review

The Port of San Francisco is an enterprise fund of the City and County of San Francisco. Port revenue is derived from 12 separate business lines including property rental and cargo shipping operations. The comparative balance sheet as of June 30, 1996 and 1995 and the related income statement for the years then ended are presented on pages 15 and 16.

Net Income

For the first time since fiscal year 1989/90, the Port of San Francisco posted positive net income in consecutive years as set forth in Table A.

The sustained growth in net income reflects the continued impact of the Port's 1994 change in strategy which included (i) a major reorganization that streamlined internal procedures, increased staff responsibility and reduced expenses, (ii) a reduction of variable operating costs, (iii) a reduction in long-term debt repayment, (iv) a renegotiation of numerous leases and (v) the implementation of a retooled and matured maritime business plan. In fiscal year 1995/96 net income increased by $1.004 million or 33%, to $4.005 million. Net income equaled 12.5% of operating revenue up from 9.3% from fiscal year 1994/95.

Operating Revenue

Fiscal year 1995/96 operating revenue decreased by less than 1% to $32.057 million from $32.212 million. Following the departure of Evergreen Marine Corporation, cargo revenue declined by 51% which was largely offset by growth in the commercial & industrial (up 5%) and fishing (up 35%) sectors. Revenue from other businesses, i.e., ship repair, harbor services, cruise, parking, and power, remained relatively unchanged as a percentage of total operating revenue.

* Includes Filming and Special Events

Operating Expense

Operating expense for the year ended June 30, 1996 declined by 5% to a seven year low of $26.745 million. The decline was due to decreases in insurance expense, judgement and claims expense, bad debt expense, indirect cost reimbursement to the City and County of San Francisco, services of other City departments and increases in capitalized labor. Increases occurred in the areas of facilities maintenance, depreciation, mandatory fringe benefits, promotion expense and other fixed charges.

Other Income (Expense)

Other Income (Expense) is typically comprised of interest income, interest expense, earthquake damage expense, federal/state earthquake assistance and gain on sale of materials. Net Other Expense rose by 32% in fiscal year 1995/96 to ($1.307) million as compared to ($0.989) million in fiscal year 1994/95. In fiscal year 1994/95 Net Other Expense included a one time fee of $0.525 million received on behalf of a permanent easement on Port property.

Long-Term Debt

At June 30, 1996, the Port's outstanding long-term debt obligations consisted of two series of State of California General Obligation Bonds, one series of Port Revenue Bonds and two series of City and County of San Francisco Harbor Improvement General Obligation Bonds (see Table B).

The Port's outstanding indebtedness decreased by $4.435 million, or 7%, to $59.250 million in fiscal year 1995/96. The State GO Bonds (which will be fully retired in October 1998) have a lien on Net Revenue that is senior to the Revenue Bonds.

Net revenue pledged to the Revenue Bonds is required to be maintained at 1.30 times debt service. Fiscal year 1995/96 bond coverage rose by 17% to 2.17 times from 1.85 times in fiscal year 1994/95.

Table A

(In thousands)

Years Ended June 30,	1996	1995	1994	1993	1992	1991	1990	1989
Operating Revenue	$32,057	$32,212	$32,431	$32,086	$33,982	$33,124	$29,610	$30,532
Operating Expense	26,745	28,222	30,134	31,240	29,771	31,351	27,811	25,371
Operating Income	5,312	3,990	2,297	846	4,211	1,773	1,799	5,161
Other Expense	(1,307)	(989)	(2,746)	(1,966)	(2,236)	(5,263)	(1,758)	(2,166)
Net Income (Loss)	$4,005	$3,001	($449)	($1,120)	$1,975	($3,490)	$41	$2,995

Table B

Long-Term Debt	FY96 Balance	FY95 Balance	Coupon	Final Maturity
State GO Bonds				
Series G	$375,000	$760,000	3.50%	February 1, 1997
Series H	$855,000	$1,140,000	4.00-4.85%	October 1, 1998
Revenue Bonds*	$48,820,000	$51,385,000	4.40-9.00%	July 1, 2009
CCSF GO Bonds				
Series A	$5,600,000	$6,400,000	4.50-5.25%	May 1, 2003
Series B	$3,600,000	$4,000,000	6.30%	June 1, 2005
TOTAL:	**$59,250,000**	**$63,685,000**		

**July 1 payments are assumed to be made as of prior June 30th.*

The preceding discussion should be read in conjunction with the Port's full financial statements and independent auditors' report. Copies may be obtained for $2.50 from the Financial Manager, Port of San Francisco, Suite 3100, Ferry Building, San Francisco, California 94111

A Year in Review

Cargo Shipping

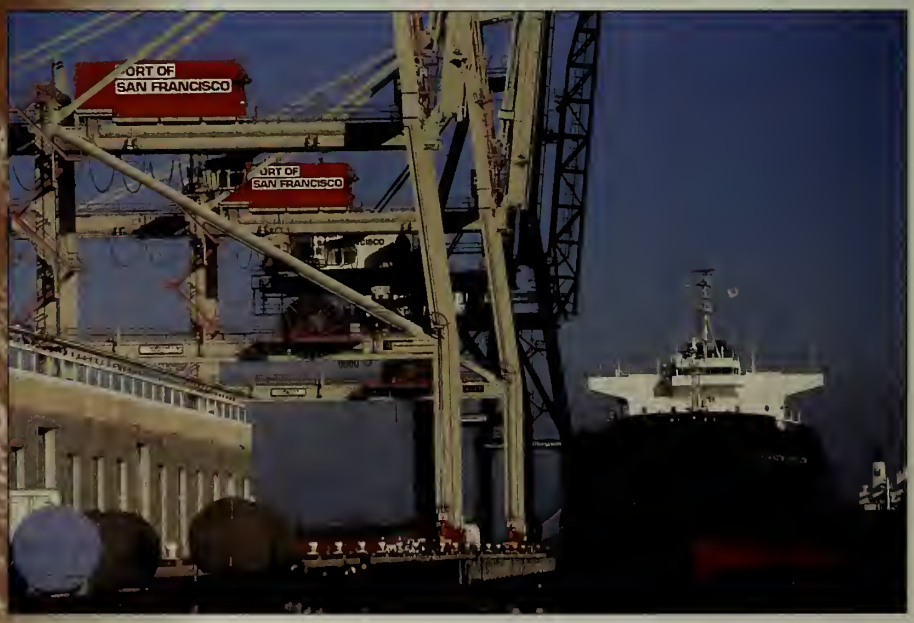
Eager to maintain its pivotal and historic role in the maritime trade, this year the Port developed a new cargo shipping marketing plan that emphasizes its operational and commercial advantages. The Port offers a variety of features that appeal to cargo shipping lines: modern facilities, deep water, acres of unobstructed lay-down space, hundreds of thousands of square feet of covered storage, lack of congestion and lower costs.

The new plan focuses on "niche" markets that include break-bulk, project cargo, automobiles and medium sized container carriers. As the Port continues to serve as the Northern California distribution point for Mercedes Benz automobile imports and a major import location for rolled newsprint from British Columbia, we are also actively promoting our container facilities. This new focus has resulted in the addition of four new shipping lines, including the Serpac Consortium (Chilean Line, Columbus Line and Grancolumbiana) and Madrigal-Wan Hai Lines. The Port has recently been the gateway through which a huge cement plant was shipped to South America, large quantities of structural steel were sent to Bangkok, and tons of Toyota manufacturing machinery were shipped to Brazil.

Commercial Fishing

San Francisco is once again the center of Northern California's commercial fishing industry. In August of 1995, Pier 45 in Fisherman's Wharf officially reopened after a $14 million dollar renovation made necessary after the 75 year old pier sustained damage in the 1989 Loma Prieta earthquake. The pier at the foot of Taylor Street in the heart of Fisherman's Wharf underwent a complete renovation that included new utilities, a seismic upgrade and a new wastewater system that has helped protect the water quality of the San Francisco Bay.

As a result of the Port's commitment to this facility, the complex is completely



leased with fishing tenants representing some of California's largest seafood companies, many of whom moved to Fisherman's Wharf for the first time. The leading varieties of sea food landed by the Wharf's commercial fishing fleet includes Dungeness crab, salmon, cod, sole and Pacific herring. According to the California Department of Fish and Game, commercial fish landings at the Fisherman's Wharf have grown from 7.4 million pounds in 1994 to 10.9 million pounds in 1995.

Following completion of the renovation, the U.S. Department of Commerce selected the Pier 45 Project as the most outstanding public works project in the Western Region for 1996. It was also honored with the 1996 Honor Award by the Prestigious Waterfront Center organization in Washington D.C.

Revenue derived by the Port from the fishing industry for fiscal year 1995/96 was $1,002,000, a 50% increase over the earnings of 1993/94.

Cruise Shipping

It's estimated that San Francisco's passenger cruise industry has a $15.8 million impact on the local economy through the direct purchases of goods and services. The biggest single purchase of ship supplies was for $1 million made by the Carnival *Inspiration*. The City continues its long-held reputation among passengers and vessel operators as one of the most beautiful ocean accessible cities in the world. Five luxury cruise ships made their maiden call to San Francisco in fiscal year 1995/96, including Celebrity Cruise's *Horizon*, P&O Cruise's *Oriana*, Carnival's *Inspiration*, Clipper Cruise's *Yorktown Clipper*, and Nina S.P.A.'s *Italia Prima*. This year we also saw a new product line, Seabourne's "Cruise to Nowhere," with a San Francisco theme including a performance by the San Francisco Symphony.

Nearly 60,000 passengers passed through the cruise terminal at Pier 35 and over 80,000 are expected in 1996/97. Gains are projected next year due to an industry-wide surge in cruises to Alaska. Both Carnival and Celebrity cruise lines offered Alaskan itineraries from San Francisco in 1996 and are expected to increase the number of trips next year.

Cruising America...Creates Jobs

As a premiere tourism destination, San Francisco can become a hub for California Coastal cruises. New types of cruises that can be offered include a four day cruise to Big Sur featuring Monterey, a five day cruise up California's North Coast to the Pacific Northwest, and voyages to Hawaii. These new calls will triple San Francisco's cruise business, generating $37 million in revenue for San Francisco's tourism and maritime industries.

Standing in the way of this new business is a 109 year old Federal law, commonly known as the Passenger Services Act, which penalizes foreign flag vessels from transporting passengers between U.S. ports. The law has closed off U.S. Coastal cruising aboard ocean going vessels due to the decline in the size of the U.S. Fleet to one vessel in Hawaii.

To spearhead the lobbying effort to ammend the Passenger Services Act, the *Cruising America Coalition* was established with the active participation from the Port of San Francisco. The Coalition has obtained support from national tourism associations, including travel agents' groups and other businesses dependent on the cruise business. Locally, the San Francisco Convention and Visitors Bureau, the S.F. Hotel Council, the S.F. Chamber of Commerce, Port tenants (San Francisco Drydock, Metropolitan Stevedoring, Pier 39 and the Waterfront Restaurant) and shipping agents serving cruise lines calling in San Francisco are supporting the Port's efforts.

On April 23, 1996, the San Francisco Port Commission formally supported the Coalitions' efforts. Port Commissioner James Herman commented, "Unlike the Jones Act, the Passenger Services Act is broken and we must fix it. This century old law is inhibiting jobs in maritime and tourism industries instead of creating them." The *Cruising America Coalition* does not support changes to the Jones Act, the Cabotage

law pertaining to the cargo industry which is distinct from the Passenger Services Act. The Coalition seeks to open up domestic itineraries to foreign flag vessels with protections for existing and future American vessel operators in the domestic trade.

Filming

Film location shooting, set building and staging increased 250% over 1994/95, thanks to proactive marketing efforts. The Port served as the location for more than nine feature films, among them *The Rock, Metro,* and *The Fan.* Several television shows including *Nash Bridges, Party of Five,* and *America's Most Wanted* and major commercials for Coke, Lexus, and AT&T were also lensed along the waterfront. Filming in this area brings an income boost from cast and crew spending, and increased visibility for the Port and its tenants.

Leasing

Revenue from commercial properties comprises 64.3%—or $23.2 million—of the Port's operating income. During the 1995/96 fiscal year, the Port consummated 120 leases for new or re-negotiated tenancies, bringing the total number of leases from 507 to 611. The current occupancy rates for the 4.58 million square feet of marketable rental space on Port property are at or near capacity: 100% for retail space, 99% for offices and 92% for industrial properties.

Retail, restaurant and Pier 39 sales are also up 9.6%. The 1994/95 fiscal year gross sales of $171.1 million have risen to $188.2 million in 1995/96. This number reflects the gross sales at 26 Port restaurants and all retail shops.

Ship Repair

San Francisco's ship repair industry continued to transition from a primarily military to a commercial clientele due to military base closures and defense spending cutbacks. San Francisco, which hosts the only commercial ship repair facilities between Portland and Southern California, saw mixed results in the 1995/96 fiscal year as one of San Francisco's two repair firms went out of business near the end of the fiscal year. San Francisco Drydock, the Port's remaining ship repair facility, however, had a dramatic increase in commercial repairs at their facility. This was largely due to a surge in tanker maintenance and repairs, as well as a continued growth in scheduled servicing of cruise ships. The dry dock operations also employ a large number of blue-collar workers, employing up to 1,100 employees in peak season.

Special Events

More than 20 events took place at the Port last year, bringing over one million residents and visitors to the area. Among the festivities were the annual Chronicle Fourth of July Celebration, Fleet Week, the Port of San Francisco Whale Boat Races, Bill Graham New Year's Eve Party, KFOG Sky Concert, and the Gay, Lesbian, Bi-Sexual and Transgender Celebration. One of the biggest events, however, was the special Herb Caen Celebration this summer. This well-attended street party honored the local legend, columnist and master of "three dot journalism," as well as served as the christening ceremony for Herb Caen Way..., the recently renamed Embarcadero walkway.

The Waterfront Plan

In 1990, San Francisco voters approved Proposition H, an initiative that required the preparation of a land use plan for the Port's piers and properties. In the four years that followed, an advisory board made up of San Francisco residents, Port tenants, architects, urban planners, and maritime, labor and neighborhood representatives joined forces to draft the Waterfront Land Use Plan. Incorporating input from more than a hundred public meetings, the plan documents the needs, concerns, environmental considerations and financial conditions that have an impact on the seven and a half miles of publicly owned Port lands.

The plan, the first such effort to be completed in over twenty years, considers both business and recreational uses for the picturesque waterfront property under the Port's jurisdiction. The document calls for a balanced range of uses to meet the Port's financial needs. Reserving most waterfront properties for the expansion of maritime operations, the plan also encourages the creation of new public access, recreational and open space along the Bay. At the same time compatible new commercial development is also encouraged. Income-generating tenants can help subsidize maritime industries, preserve Port property, and fund new public developments. With the implementation of this balanced plan, the Port will be able to enter the 21st century as an economically viable public agency, and one that can make full and fitting use of our spectacular waterfront.

Goals Of The Plan

— A Working Waterfront

Port lands should continue to be reserved to meet the current and future needs of cargo shipping, fishing, passenger cruise ships, ship repair, ferry and excursion boats, recreational boating, and other water-dependent activities.

— A Revitalized Port

New investment should stimulate the revitalization of the waterfront, providing new jobs, revenues, public amenities and other benefits to the Port, City and State.

— **A Diversity of Activities and People**
Port lands should host a diverse and exciting array of maritime, commercial, entertainment, civic, open space, recreation and other waterfront activities for all San Franciscans and visitors to enjoy.

— **Public Access Along the Waterfront**
A network of parks, plazas, walkways, open spaces and integrated transportation improvements should improve access to, and enhance the enjoyment and appreciation of the Bay environment.

— **An Evolving Waterfront, Mindful of Its Past and Future**
Improvements should respect and enhance the waterfront's historic character while creating new opportunities for San Franciscans to integrate Port activities into their daily lives.

— **Urban Design Worthy of the Waterfront Setting**
The design of new developments should be of exemplary quality and highlight visual and physical access to and from the Bay. At the same time it should respect the waterfront's rich historic context and the character of neighboring development.

— **Economic Access that Reflects the Diversity of San Francisco**
The economic opportunities created by commercial uses should be made accessible to persons of both sexes and to a representative variety of ethnic and cultural backgrounds—to people who reflect the diversity of the City of San Francisco.

Waterfront Plan Status

The Port is in its final phase of work on the Waterfront Land Use Plan. This plan describes acceptable uses of Port facilities. It will also set forth policies, contained in the Urban Design and Public Access Plan. These policies will increase waterfront views, open space and public access, and preserve historic resources as part of new development projects.

A Look to the Future

As the Port moves toward the year 2000, several exciting projects on San Francisco's waterfront are coming closer to fruition. Once completed, these projects will enhance the Port's reputation as one of America's dynamic and diverse urban ports.

Waterfront Transportation Projects

San Francisco's Waterfront Transportation Projects include roadway improvements, a historic streetcar line, a light rail line, pedestrian walkways and lighting. The South Embarcadero was completed in 1994, the North Embarcadero was completed in 1996 and the Fisherman's Wharf F-line Loop will be completed in 1998. The Environmental Impact Report Statement and project approvals for the Mid-Embarcadero Roadway segment will be completed in early 1997 and construction will end in the year 2000.

Ferry Building Renovation Project

The Ferry Building, one of San Francisco's most endearing landmarks, has stood watch over the City's waterfront for nearly 100 years. The Port, with offices in the Ferry Building, is making progress towards the renovation of this historic building that still serves the entire Bay Area with six commuter ferry routes, transporting passengers from Tiburon, Sausalito, Larkspur, Alameda, Vallejo and Oakland. The renovation is seen by Port and City officials as an opportunity to build upon the revitalization of the waterfront and the public transportation and pedestrian improvements of the Waterfront Transportation Projects.

The Ferry Building's civic importance has led to a development program that is befitting a national historic landmark. Current plans call for a mix of uses, focusing on regional transit services and public oriented food-related uses on the ground floor and a mix of conference, office and entertainment uses in the upper levels. The Port is currently considering alternative development plans and funding sources and will be soliciting developers in the spring of 1997.

Pier 52 Boat Ramp

The Pier 52 Boat Ramp project entails the creation of the only public boat ramp in San Francisco. A new boat ramp will be built with an accessible dock for hand launched craft, a 20-space vehicle/trailer parking lot, a small support structure to house a cafe and required support facilities. A bait and tackle shop, public restrooms and indoor and outdoor eating areas are also planned. Completion is due in summer of 1997.

Hyde Street Harbor

Commercial fishing has been the foundation for Fisherman's Wharf. With the new Pier 45 fish processing center, the wharf has become a national example of a first rate commercial fishing facility. The Hyde Street Harbor is critical to the Port's efforts to continue to revitalize the fishing industry.

As part of a series of improvements in the Fisherman's Wharf area, the Port intends to build a new commercial fishing harbor. The Hyde Street Harbor includes 60 new commercial fishing berths, and harbor service facilities, such as a work dock, vessel pump-out station, parking and restrooms. The Port has formed a Fisherman's Wharf Environmental Quality Group to address community concerns regarding the management of the harbor. The $4.5 million initial project is funded in part by a $3.5 million loan from California Department of Boating and Waterways. The Port will contribute the remaining funds. The harbor should be up and running in time for the 1998 crab season.

Downtown Ferry Terminal

The Downtown Ferry Terminal project focuses upon the role of the Ferry Building in enhancing regional ferry service to and from downtown San Francisco. The overall scope of the project includes the creation of a new south terminal for East Bay ferry service, enhancement of a north terminal for North Bay service, improvements to the Bayside promenade, creation of a central passageway through the center of the Ferry Building, renovation of existing docking facilities, and a new 960-foot breakwater that would provide a protected southern basin for future ferry and excursion service

expansion and a public walkway for sightseeing and fishing. Construction of the Terminal is anticipated to begin in fall of 1997. The project cost is estimated at $16 million.

Pier 35 Cruise Terminal

The Cruise Terminal is currently undergoing $2 million of improvements. The installation of an escalator and an elevator to ease passenger congestion during embarkation and debarkation is underway. The aesthetics of the building will be improved by sandblasting the ceiling and interior beams, new lighting, a new sign and graphics program, murals and banners and a new waiting room/information center.

Fisherman's Wharf

The intent of the Lighting Master Plan is to establish a consistent and romantic lighting approach to the Fisherman's Wharf area. Goals include the reduction of glare and reestablishment of fixtures that are part of the historic fabric of the Wharf.

A plaza is being constructed on the Fisherman's Wharf Triangle Lot at the corner of Jefferson and Powell Streets. The plaza will extend 130 feet west of Powell Street, accommodating the heavy pedestrian traffic common to the Fisherman's Wharf area with benches, trees, two J.C. Decaux public toilets, and loading space for horse drawn carriages. Construction is expected during 1997 in conjunction with the F-Line Street Car and the change in traffic flow around the Triangle Lot from one-way to two-way.

Ferry Building Plaza

The Mid-Embarcadero Roadway project includes realignment of the surface roadway, construction of the Embarcadero Promenade, and construction of a plaza on the City-side of the Ferry Building. The project extends from Folsom Street in the south to Broadway Street at the north. An urban design concept for the Mid-Embarcadero was prepared under the direction of the Waterfront Transportation Projects Office by a consultant team led by ROMA Design Group. The Plaza will be a dramatic and impressive civic open space in front of the landmark Ferry Building. On October 8, 1996 the Port Commission adopted a resolution approving the alignment of the Mid-Embarcadero Roadway. The resolution also authorized Port staff to work with the Waterfront Transportation Project Office to develop urban design criteria for the project.

Proposition B

In March 1996, San Francisco voters approved Proposition B authorizing the San Francisco Giants to build a new stadium at Pier 46 in China Basin. The state-of-the-art baseball park will seat 42,000 and is targeted to open in April 2000.

The new $255 million stadium will be the first privately-financed Major League ballpark in more than 30 years. Since 1962, 21 new baseball parks have been built for 18 Major League teams, all with substantial financial contributions from public sources.

The new ballpark will be located in a 13-acre, two-block area bordered by King, Second and Third streets, and on the south by China Basin. It will provide breathtaking views of the water, the Bay Bridge and the San Francisco skyline and will be the most dramatic location in America to watch Major League Baseball.

Balance Sheet

(In Thousands)

June 30	1996	1995
Assets		
Current Assets:		
Cash and investments, held in City Treasury - Port operating fund	$24,518	$21,331
Receivables - Net	13,819	16,844
Materials and supplies	998	1,174
Prepaid insurance and other assets	226	231
Total Current Assets	**39,561**	**39,580**
Restricted Assets:		
Cash-Contract retention deposits	86	748
Cash held in City Treasury:		
Lessee deposits	1,588	1,199
Capital outlay	4,208	5,894
Cash held by Trustee - Bond interest and redemption	9,421	9,105
Investments - Lessee deposits held in trust	797	896
Total Restricted Assets	**16,100**	**17,842**
Property, Plant, and Equiment - Net	198,720	195,797
Other Assets	687	740
Total Assets	**$255,068**	**$253,959**
Liabilities and Equity		
Current Liabilities Payable from Current Assets:		
Accounts payable and accrued liabilities	$15,658	$16,845
Current maturities of long-term debt	1,860	1,870
Accrued bond interest payable	78	95
Total Current Liabilities	**17,596**	**18,810**
Current Liabilities Payable from Restricted Assets:		
Current maturities of long-term debt	2,565	2,225
Accrued bond interest payable	1,457	1,501
Lessee deposits	2,385	2,095
Contract retention payable	86	748
Deferred grants	12	367
Total Payable from Restricted Assets:	**6,505**	**6,936**
Deferred Revenue	**2,453**	**518**
Long-Term Debt - Net of current maturities	**55,904**	**60,215**
Total Liabilities	**82,458**	**86,479**
Equity:		
Contributed capital	27,825	26,700
Revaluation of property	56,063	56,063
Retained Earnings	88,722	84,717
Total Equity	**172,610**	**167,480**
Total Liabilities and Equity	**$255,068**	**$253,959**

Copies of the Port's full financial statements and independent auditors' report may be obtained for $2.50 from the Finance Manager, Port of San Francisco, Suite 3100, Ferry Building, San Francisco, California 94111

Statement of Income

(In Thousands)

Years Ended June 30	1996	1995
Operating Revenues:		
Commercial and industrial	$20,624	$19,571
Parking	3,545	3,334
Cargo	2,003	4,057
Ship repair	1,570	1,634
Fishing	1,002	741
Harbor services	648	595
Cruise	575	571
Other maritime	468	462
Power	729	699
Other	893	548
Total Operating Revenues	**32,057**	**32,212**
Operating Expenses:		
Operations and maintenance	21,671	23,439
Depreciation and Amortization	5,074	4,783
Total Operating Expenses	**26,745**	**28,222**
Operating Income	**5,312**	**3,990**
Other Income (Expense):		
Interest income	1,859	1,731
Interest expense	(3,189)	(3,261)
Earthquake damages and expenses	(932)	(7,946)
Federal and state earthquake assistance	932	7,946
Gain on sale of materials	23	16
Other		525
Total Other Expense	**(1,307)**	**(989)**
Net Income	**$4,005**	**$3,001**

Copies of the Port's full financial statements and independent auditors' report may be obtained for $2.50 from the Finance Manager, Port of San Francisco, Suite 3100, Ferry Building, San Francisco, California 94111

Statement of Income

[illegible]	1996	1995
[illegible]	$26,624	$19,571
[illegible]	3,545	3,338
[illegible]	2,003	4,057
[illegible]	1,970	1,634
[illegible]	1,002	741
[illegible]	646	525
[illegible]	575	571
[illegible]	459	457
[illegible]	719	699
[illegible]	593	548
[illegible]	32,057	32,212
[illegible]	[illegible]	4,788
[illegible]	26,745	[illegible]
[illegible]	5,312	3,990
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	7,846
[illegible]	[illegible]	16
[illegible]	[illegible]	525
[illegible]	[illegible]	([illegible])
[illegible]	$4,995	$3,001

Port Administrators

Executive Director: Dennis Bouey

Director, Administration: Benjamin Kutnick

Acting Director, Facilities and Operations: Cliff Jarrard

Director, Planning and Development: Sharon Lee Polledri

Director, Tenant and Maritime Services: Lewis Wiseman

Manager, Governmental Affairs: Veronica Sanchez

Manager, Marketing: Carolyn Macmillan

Port General Counsel: Julie Van Nostern

Production Notes

Published by the Port of San Francisco

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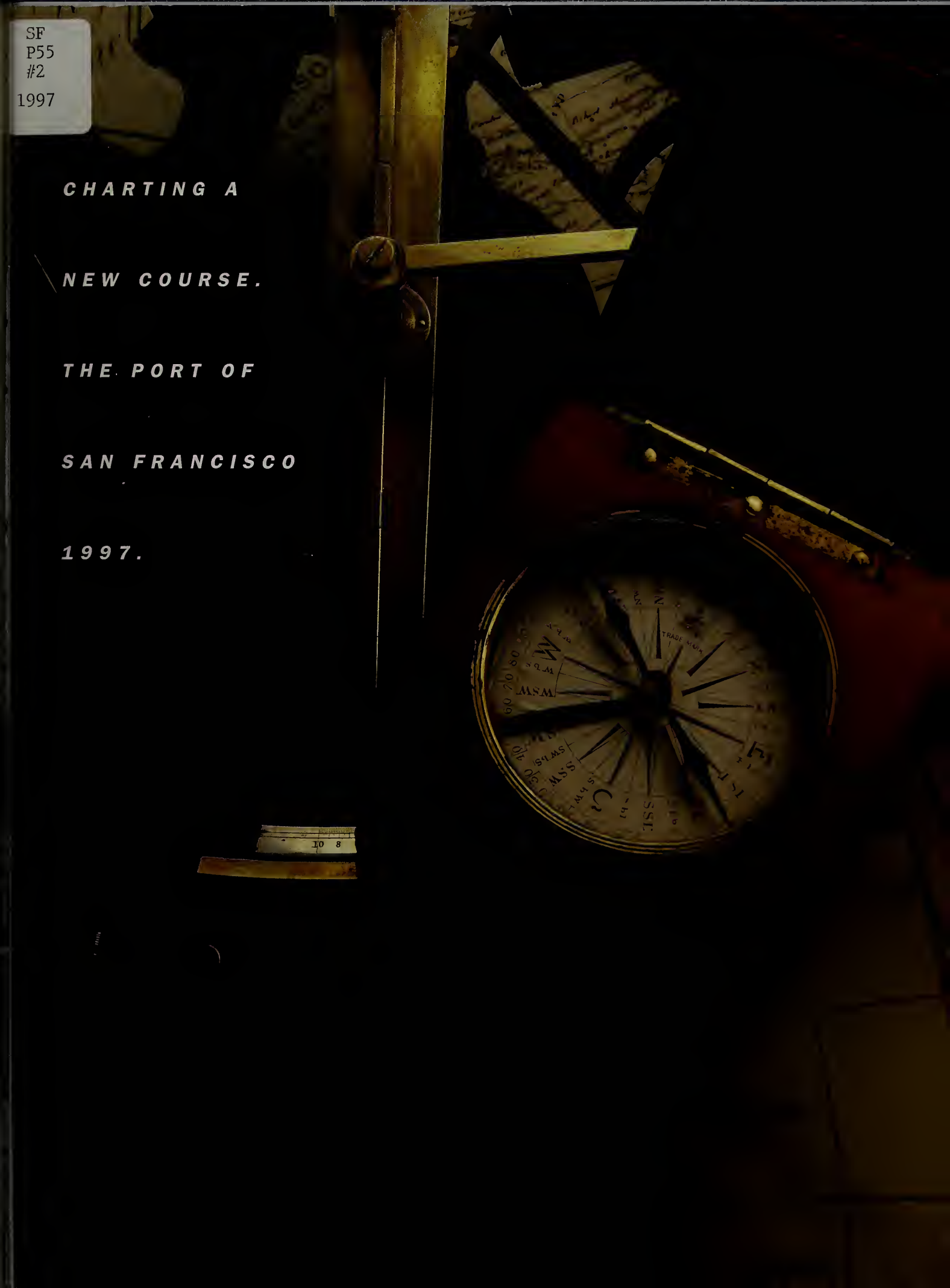
CHARTING A NEW COURSE. THE PORT OF SAN FRANCISCO 1997.



THE RESOLVE

MAYOR BROWN

The Port of San Francisco is of the utmost importance to the overall economic and cultural well-being of this City - and much like the rest of the City, the Port is experiencing something of a renaissance. As Mayor, I am happy to be the beneficiary of several projects just now coming to fruition along our Port, and I'm proud to have jump-started and initiated several more under my watch. From Bayview/ Hunter's Point to Fisherman's Wharf, the Port of San Francisco is bustling with activity that will ensure its prominence in the coming century.

Perhaps the most visible and appealing project of all is the new Embarcadero Roadway which includes a Muni rail extension that opened just this year, providing local residents and visitors alike with a convenient way to get around our waterfront, as well as a crucial link to other parts of our City and to various other regional transit systems. Over the course of the next few years, passengers on this scenic rail line will be able to watch several other projects rising into view along the waterfront – the downtown Ferry Terminal expansion, the Ferry Building Restoration, and, of course, the new Giants baseball park near China Basin.

Add to all this excitement the new development at Mission Bay, including a new UCSF Medical Center and a Third Street Muni Light Rail Extension that will provide a direct link between Hunter's Point and the Ferry Building; and the prospect of ferry shuttle service between the Port and a redeveloped Treasure Island; and it should be easy to see why I'm so excited about the long- and short-term future of the Port of San Francisco.

Under the inspired leadership of Director Douglas Wong, a fully committed Port Commission and a talented administration staff, I know we're in good hands.

Mayor Willie Lewis Brown, Jr.

FROM BAYVIEW/HUNTER'S POINT TO FISHERMAN'S WHARF, THE PORT OF SAN FRANCISCO IS BUSTLING WITH ACTIVITY THAT WILL ENSURE ITS PROMINENCE IN THE COMING CENTURY.

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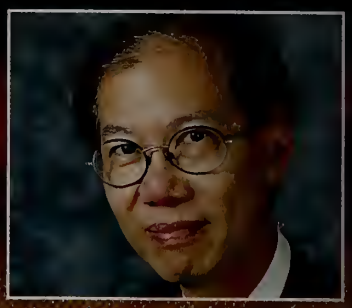
SETTING THE PACE

MICHAEL HARDEMAN



FRANKIE LEE

DENISE MCCARTHY

JAMES HERMAN

KIMBERLY BRANDON

THE SAN FRANCISCO PORT COMMISSION

Port Commission President Michael Hardeman, a native San Franciscan, is a journeyman pictorial artist. Currently Business Manager of Sign Display Local Union 510, he serves on all Bay Area Labor and Building Trades Councils and is on the Executive Committee of the San Francisco Labor Council. He continues his history of work on numerous other community and civic boards.

Commissioner Frankie Lee is President and CEO of SOHA Engineers in San Francisco, a structural engineering consulting company that specializes in the design and retrofit of buildings and bridges. In addition to his background as a professional engineer, Mr. Lee has always been active in the banking, finance and real estate communities. He is also active as a board member of SPUR and the Asian Neighborhood Design.

Commissioner Denise McCarthy has held a long-term interest in locating and developing economic opportunities for North Beach and Chinatown residents. Commissioner McCarthy has been involved in all the major citizen planning and development efforts of the Port in the past ten years and has taken leadership roles in many of these efforts.

Commissioner James Herman, former President of the International Longshoremen's and Warehousemen's Union (ILWU), settled in San Francisco in the early 1950's. Deeply involved in community affairs, he was appointed by Mayor Dianne Feinstein to the Port Commission in 1982 where he served 12 years. He was appointed again in 1996 by Mayor Willie Brown.

Commissioner Kimberly Brandon, the first African American woman to serve on the Port Commission, has been with Wells Fargo Bank since 1986. An Assistant Vice President and Personal Banking manager at Wells Fargo bank, she also serves as treasurer at both Jelani House, Inc. and the Audrey L. Smith Development Center.

THE PORT OF SAN FRANCISCO IS GOVERNED BY A FIVE MEMBER BOARD OF COMMISSIONERS, EACH OF WHOM IS APPOINTED BY THE MAYOR AND SUBJECT TO CONFIRMATION BY THE CITY'S BOARD OF SUPERVISORS. EACH MEMBER IS APPOINTED FOR A FOUR-YEAR TERM.

THE VISION

DOUG WONG

EXECUTIVE DIRECTOR

"WE ARE EXPERIENCING A MAJOR REVITALIZATION ALONG THE NEW, USER-FRIENDLY SAN FRANCISCO WATERFRONT."

EXECUTIVE DIRECTOR'S REPORT

The Port of San Francisco encompasses a broad range of activities from parkland and open space to shipyards to ferries to cargo and cruise shipping to fishing to tourism and recreation. It is without a doubt one of the world's most diverse maritime enterprises.

During the past year we have experienced exciting and dynamic changes that are charting a new course for the Port. That course is founded on fiscal strength. Net income for the fiscal year 1996/97 is $7.1 million– the largest net income posted since fiscal year 1983/84, and the third consecutive year of growth. This growth has been fueled largely by commercial leases and maritime-related activities.

Along this course, we are witnessing a re-awakening of the Waterfront. The Waterfront Land Use Plan, adopted by the Port Commission in June 1997, will expand maritime operations and encourage the creation of new public access, recreation and open space along the bay. It is an intricate plan of balanced uses– encompassing both maritime and non-maritime activities. It is a dynamic plan that is yielding results right now.

The Port of San Francisco currently boasts one of the world's most dynamic maritime portfolios. To better serve our varied maritime customers, I have reestablished the Port's Maritime Department, which will not only help our current customers "grow" their businesses, but aggressively seek out new maritime customers as well.

We have completed a $1 million improvement program for our Pier 35 Cruise Terminal which this past season saw 53 vessel calls that carried over 90,000 passengers to and from San Francisco. And the redevelopment of Pier 45 as a modern fish processing center, has reestablished Fisherman's Wharf as *the* center for commercial fishing in Northern California.

And, new land uses, like the Giants Pacific Bell Baseball Park, will not only pioneer sweeping changes for the waterfront, they will also broaden the Port's financial footings.

The successes we are witnessing are only possible as a result of the combined efforts of the 212 men and women who work diligently to keep the Port on course.

The Port of San Francisco is truly embarked on a new course. A course that will enhance its position as one of America's most diverse maritime enterprises.

DAY TO DAY OPERATIONS AT THE PORT ARE GUIDED BY FIVE DIRECTORS. PICTURED FROM LEFT:

BENJAMIN KUTNICK
DIRECTOR, FINANCE & ADMINISTRATION

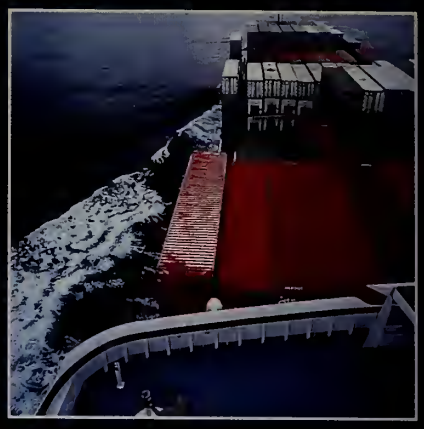
PAUL OSMUNDSON
DIRECTOR, PLANNING & DEVELOPMENT

VIVIAN FEI TSEN
DIRECTOR, REAL ESTATE & ASSET MANAGEMENT

PETER DAILEY
MARITIME DIRECTOR

ALEXANDER LEE
DIRECTOR, ENGINEERING & MAINTENANCE

STRENGTHENING MARITIME OPERATIONS



CARGO SHIPPING REPRESENTS A MAJOR SOURCE OF REVENUE IN THE MARITIME OPERATIONS COMPONENT, ACCOUNTING FOR NEARLY THIRTY-TWO PERCENT OF THE TOTAL.

CARGO SHIPPING. Under the responsibility of the Port's new Maritime Division, a new cargo shipping marketing plan which broadens the Port's outreach to the world's cargo shipping fleet has been formulated and is in the process of being implemented. As compared to 1996, total cargo tonnage moving through Port cargo terminals has doubled and cargo shipping revenues grew 40% in 1997. These increases are due to the continued growth of our steamship customers: Madrigal Wan Hai, Grancolombiana, Chilean Line, Maruba and Columbus Line.

CRUISE SHIPPING. During the period ending June 30, 1997, 53 cruise ships visited San Francisco embarking and disembarking over 90,000 passengers. These ship calls and passengers generated an estimated $27.8 million in economic impact to Northern California.

The Port has developed a ten-point homeport incentive plan that is being marketed to major cruise lines to bring more ships to San Francisco. In addition the Port is leading a national effort to modify a 111 year-old federal law that effectively stunts the number of cruise ships that call on San Francisco. And it is one of the leading forces behind the "Cruising America-Create Jobs" coalition, a national organization of ports, convention bureaus, tourism and maritime businesses dedicated to opening new cruise itineraries between U.S. ports, without requiring a stop at a foreign port.

SHIP REPAIR. San Francisco Drydock Company is the Port's largest maritime tenant and one of the West Coast's largest full service ship repair companies. During 1996-97 it won a $2 million service and maintenance contract to work on one of the most luxurious cruise ships in the world, the M.V. Crystal Symphony. The job employed hundreds of workers from ten different unions. To speed the turnaround time, the job also employed the Port's newly modernized cranes– which had undergone a $4 million upgrade in 1997.

AMERICA'S CUP. Two America's Cup syndicates aimed at capturing the 2000 sailing race have based their operations at the Port. "America True" sponsored by the San Francisco and Golden Gate Yacht Clubs has established a compound at Pier 17. "AmericaOne," sponsored by the St. Francis Yacht Club, is expected to set up a compound at Pier 3 in conjunction with Hornblower Yachts.

SHIP REPAIR HAS BEEN A LONG TIME COMPONENT OF THE PORT OF SAN FRANCISCO. THE PORT IS HOME TO SAN FRANCISCO DRYDOCK COMPANY, ONE OF THE LARGEST FULL-SERVICE REPAIR FACILITIES ON THE WEST COAST.

A NATURAL AMPHITHEATER FOR SAILING, SAN FRANCISCO'S PORT IS HOME TO TWO AMERICA'S CUP SYNDICATES, AMERICA TRUE AND AMERICA ONE.

REVITALIZING THE WHARF

A $1 MILLION LAGOON LIGHTING PROJECT BRINGS NIGHTTIME DRAMA, ROMANCE, AND A SENSE OF HISTORY BACK TO THE FISHING BOAT LAGOONS AT FISHERMAN'S WHARF.

A key focus of the Port at Fisherman's Wharf is to revitalize the fishing industry, which is the heart of Fisherman's Wharf. The successful $14 million redevelopment of Pier 45 for a modern fish processing wholesale space, has reestablished Fisherman's Wharf as the center for commercial fishing in Northern California and Oregon. Such major players as H&N Fish Company, Caito Fisheries, Inc., and North Coast Fisheries, Inc., who were not previously located at Fisherman's Wharf, now have facilities there.

The next major project to support the fishing industry at Fisherman's Wharf, is the development of the Hyde Street Harbor, which will provide 60 new berths for commercial fishing vessels (bringing the total to 170) and much needed harbor service facilities. This project will accommodate the expanded demands of fishing vessels coming to the harbor and will accommodate newer commercial vessels that are too large for the existing berths. Construction is scheduled to commence in early 1999, with completion scheduled for late 1999.

In addition, the Port is making pedestrian improvements in the Fisherman's Wharf area, including a recently completed plaza and historic F-line streetcar stop at the Powell/Jefferson intersection.

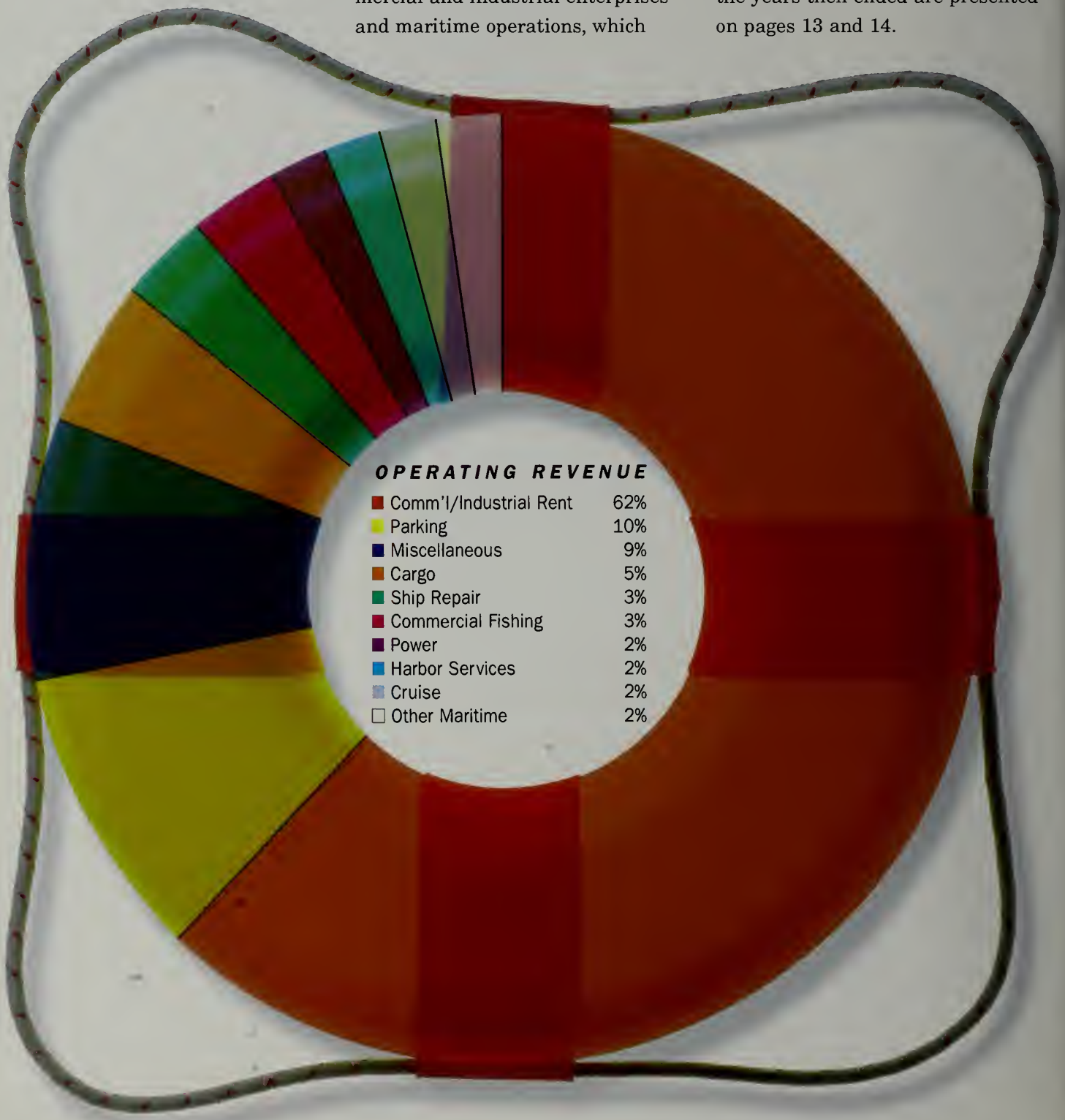
Another element of the revitalization program is the Lagoon Lighting Project, which brings nighttime drama, romance, and a sense of history back to the fishing boat lagoons at Fisherman's Wharf. This project was completed and dedicated by the Mayor of San Francisco in the Fall of 1997.

A NEW INTERPRETATIVE SIGNAGE PROGRAM IS NOW BEING DEVELOPED BY THE PORT TO ENHANCE THE VISITORS' EXPERIENCE TO FISHERMAN'S WHARF. THE PROGRAM WILL CREATE INTERPRETATIVE EXHIBITS TO EXPLAIN THE HISTORY OF THE WHARF, AS WELL AS THE HISTORY AND CURRENT WORKINGS OF THE FISHING INDUSTRY AT FISHERMAN'S WHARF. IT WILL ALSO PROVIDE A CLEAR ORIENTATION TO PEDESTRIANS AND PROVIDE DIRECTION TO SIGNIFICANT DESTINATIONS AT FISHERMAN'S WHARF. THESE INTERPRETATIVE SIGNS ARE EXPECTED TO BE INSTALLED DURING FALL 1998.

FINANCIAL REVIEW

The Port of San Francisco is a self-supported enterprise department of the City and County of San Francisco. All revenues generated by the Port are to be used only for Port purposes. The Port receives no operating subsidies from the City, and the Port has no taxing power.

The Port's revenue is derived primarily from property rentals to commercial and industrial enterprises and maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities. The comparative balance sheet as of June 30, 1997 and 1996 and the income statement for the years then ended are presented on pages 13 and 14.



Net Income

The fiscal year 1996/97 net income of $7.1 million is the highest net income posted at the Port since fiscal year 1983/84. This is the third consecutive year of increased net income. Assets have been efficiently used to provide increased revenue, enabling the Port to improve facilities, fund capital improvement projects and support maritime operations. The growth in net income is the continuing result of an aggressive leasing plan, cost control measures and the benefits of a robust economy.

(In Thousands) *Years Ended June 30,*	1997	1996	1995	1994	1993
Operating Revenue	$37,290	$32,057	$32,212	$32,431	$32,086
Operating Expenses	(29,877)	(26,745)	(28,222)	(30,134)	(31,240)
Operating Income	7,413	5,312	3,990	2,297	846
Other Expense	(305)	(1,307)	(989)	(2,746)	(1,966)
Net Income (Loss)	**$7,108**	**$4,005**	**$3,001**	**($449)**	**($1,120)**

Operating Revenues

Fiscal year 1996/97 operating revenue increased by 16.3% to $37.3 million from $32.1 million. Commercial and industrial rent, which increased by 12.6% to $23.2 million, includes a $844,000 decrease due to the termination of an agreement with Catellus. This decrease was offset by a cancellation fee from Catellus of $1.25 million, which is recorded in other revenues. Ship repair revenue had the only significant decrease (21.2%) due to the closure of the SECO shipyard as of June 30, 1996. The total decrease from SECO of $528,000 was offset by an increase of $195,000 from other ship repair activity.

Operating Expenses

Operating expense for fiscal year 1996/97 increased by 11.7% to $29.9 million from $26.7 million. This is the first increase in expense since 1993. The largest increase was in personnel expenses, $922,000, due largely to collective bargaining agreements negotiated on a Citywide basis. Other increased operating expenses include: property related costs (utilities, security and taxes); materials and supplies for maintenance; judgment and claims; terminal operating costs; and depreciation.

Long Term Debt

Bond Issue	Outstanding Principal	Average Annual Debt Service	Final Term
State G.O. Bonds	$ 570,000	$ 296,400	10/1/98
1994 Revenue Bonds	48,820,000	5,369,616	7/1/09
City G.O. Bonds	8,000,000	1,210,150	6/1/05
	$57,390,000	**$6,876,166**	

Other Income (Expense)

OTHER INCOME (EXPENSE) IS TYPICALLY COMPRISED OF INTEREST INCOME, INTEREST EXPENSE, EARTHQUAKE DAMAGE EXPENSE, FEDERAL/STATE EARTHQUAKE ASSISTANCE AND GAIN ON THE SALE OF MATERIALS. THERE WERE TWO ADDITIONAL ITEMS THAT CONTRIBUTED TO THE INCREASE OF $1.0 MILLION. THERE WAS A $3.1 MILLION GAIN IN INSURANCE PROCEEDS RELATED TO PIER 48 REFLECTING THE INTERIM PAYMENTS RECEIVED ON THE NOVEMBER 1996 FIRE. IN ADDITION, THERE WAS A $2.2 MILLION LOSS FROM THE WRITE-OFF OF RAILROAD TRACKS, WHICH ARE NO LONGER IN USE.

Long-Term Debt

AT JUNE 30, 1997, THE PORT'S OUTSTANDING LONG-TERM DEBT OBLIGATIONS CONSISTED OF STATE OF CALIFORNIA GENERAL OBLIGATIONS BONDS, SERIES H, PORT REVENUE BONDS, SERIES 1994, AND CITY AND COUNTY OF SAN FRANCISCO HARBOR IMPROVEMENT GENERAL OBLIGATION BONDS, SERIES A AND B.

THE PORT'S OUTSTANDING INDEBTEDNESS DECREASED BY $4.425 MILLION, OR 7%, TO $57.390 MILLION IN FISCAL YEAR 1996/97. THE STATE GENERAL OBLIGATION BONDS (WHICH WILL BE FULLY RETIRED IN OCTOBER 1998) HAVE A LIEN ON NET REVENUE THAT IS SENIOR TO THE REVENUE BONDS.

NET REVENUE PLEDGED TO THE REVENUE BONDS IS REQUIRED TO BE MAINTAINED AT 1.30 TIMES NET REVENUES AVAILABLE FOR REVENUE BOND DEBT SERVICE. FISCAL YEAR 1996/97 BOND DEBT SERVICE COVERAGE IS 2.68 TIMES COMPARED TO 2.17 TIMES IN FISCAL YEAR 1995/96.

STATEMENT OF INCOME

(In Thousands)

Years Ended June 30,	1997	1996
Operating Revenues:		
Commercial and industrial	$23,218	$20,624
Parking	3,732	3,545
Cargo	1,974	2,003
Ship repair	1,237	1,570
Fishing	1,162	1,002
Harbor services	689	648
Cruise	619	575
Other maritime	563	468
Power	710	729
Other	3,386	893
Total Operating Revenues	**37,290**	**32,057**
Operating Expenses:		
Operations and maintenance	24,013	21,671
Depreciation and amortization	5,864	5,074
Total Operating Expenses	**29,877**	**26,745**
Operating Income	**7,413**	**5,312**
Other Income (Expense):		
Interest and investment income	1,901	1,859
Interest expense	(3,091)	(3,189)
Earthquake damages and expenses	(1,578)	(932)
Federal and state earthquake assistance	1,578	932
Gain from fire insurance settlement	3,105	
Abandonment of railroad tracks	(2,226)	
Gain on sale of materials	6	23
Total Other Income (Expense)	**(305)**	**(1,307)**
Net Income	**$7,108**	**$4,005**

BALANCE SHEET

(In Thousands)

June 30,	1997	1996
ASSETS		
Current Assets:		
Cash and investments, held in City Treasury - Port operating fund	$25,078	$24,518
Receivables - Net	15,435	13,819
Materials and supplies	974	998
Prepaid insurance and other assets	264	226
Total Current Assets	**41,751**	**39,561**
Restricted Assets:		
Cash-Contract retention deposits	269	86
Cash held in City Treasury:		
Lessee deposits	1,572	1,588
Capital outlay	2,535	4,208
Cash held by Trustee - Bond interest and redemption	9,437	9,421
Investments - Lessee deposits held in trust	826	797
Total Restricted Assets	**14,639**	**16,100**
Property, Plant, and Equipment - Net	202,081	198,720
Other Assets	634	687
Total Assets	**$259,105**	**$255,068**
LIABILITIES AND EQUITY		
Current Liabilities Payable from Current Assets:		
Accounts payable and accrued liabilities	$12,660	$15,658
Current maturities of long-term debt	1,485	1,860
Accrued bond interest payable	61	78
Total Current Liabilities	**14,206**	**17,596**
Current Liabilities Payable from Restricted Assets:		
Current maturities of long-term debt	2,675	2,565
Accrued bond interest payable	1,400	1,457
Lessee deposits	2,398	2,385
Contract retention payable	269	86
Deferred grants	12	12
Total Payable from Restricted Assets	**6,754**	**6,505**
Deferred Revenue	3,551	2,453
Long-Term Debt - Net of current maturities	51,859	55,904
Total Liabilities	**76,370**	**82,458**
Equity:		
Contributed capital	30,725	27,825
Revaluation of property	56,063	56,063
Retained Earnings	95,947	88,722
Total Equity	**182,735**	**172,610**
Total Liabilities and Equity	**$259,105**	**$255,068**

COPIES OF THE PORT'S FULL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT MAY BE OBTAINED FOR $2.50 FROM THE:

ACCOUNTING MANAGER,
PORT OF SAN FRANCISCO,
FERRY BUILDING, SUITE 3100
SAN FRANCISCO, CA 94111.

THE PORT'S LAND USE

PACIFIC BELL PARK

THE NEW GIANTS BALLPARK REPRESENTS A DRAMATIC MOMENT IN THE HISTORY OF SAN FRANCISCO'S WATERFRONT. THE 42,000 SEAT WATERFRONT STADIUM IS THE ONLY PRIVATELY FINANCED PROFESSIONAL SPORTS FACILITY IN THE UNITED STATES. AND, ONE OF THE FEW ACCESSIBLE BY PUBLIC TRANSIT– BOTH LAND AND WATER BASED!

One of the most important events in recent Port history happened in June 1997 when the Port Commission approved the final Waterfront Land Use Plan, which will guide the revitalization of the Port over the next 20 years. This approval marked the culmination of more than seven years of public planning that included over 100 public meetings. During this process planners and urban designers, fishermen, union representatives, mariners, neighborhood leaders, community activists, environmentalists, City staff and elected officials spent countless hours developing a consensus about the Port's future.

They agreed that over two-thirds of the Waterfront would be reserved for maritime uses - cargo, fishing, ship repair, ferries and excursions, cruise ships and recreational boating. The rest could be used for open space and public access, retail, restaurants, entertainment and other uses to activate the waterfront and bring more people down to the newly bustling Herb Caen Way.

As the Plan is implemented, San Franciscans will find new places to enjoy this great City, places to watch the City's thriving maritime industries, and places for new recreation and vital business activities. Places to eat and drink, buy produce, work, rent a bike or roller blades, launch a dinghy or take refuge on a windy, foggy, day. And places to enjoy the quiet and restful beauty of the Bay. As these new places are created the ultimate goal of the Waterfront Plan – to reunite the City with its Waterfront – will be achieved.

The Waterfront Land Use Plan will open new recreational opportunities for residents and visitors...

...a wide array of restaurants and cafe's, including new and newly renovated ones, will cater to the most discriminating palates....

....Expanded public access to the waterfront will be facilitated through a network of walkways, as well as bus and rail transit....

....One of the most photographed cities in the world, San Francisco and its waterfront are a favorite location for film, television and commercial productions.

A PROMISING HORIZON

SAN FRANCISCO'S PORT COMMISSION HAS EMBARKED ON A PLAN DESIGNED TO RETURN THE PORT TO ITS WELL-DESERVED POSITION AS A MAJOR U.S. MARITIME CENTER.

Waterfront transportation projects. San Francisco's Waterfront Transportation Projects include roadway improvements, a historic streetcar line, a light rail line, pedestrian walkways and enhanced lighting. The South Embarcadero was completed in 1994, the North Embarcadero was completed in 1996, the E-line light rail was completed in January 1998, and the historic Fisherman's Wharf F-line Loop is scheduled for completion in Fall of 1998.

Ferry Building Renovation Project. One of San Francisco's most endearing landmarks, the Ferry Building has stood watch over the City's waterfront for nearly 100 years. The Port is making progress towards the renovation of this historic building that still serves the entire Bay Area with six commuter ferry routes, transporting passengers from Tiburon, Sausalito, Larkspur, Alameda, Vallejo and Oakland. The Ferry Building's civic importance has led to a development program that is befitting a national historic landmark. The project is scheduled to begin in 1999.

Downtown ferry terminal project. The scope of this project includes the creation of a new south terminal for East Bay ferry service, enhancement of a north terminal for North Bay service, addition of new promenades on the Bay, restoration of a passageway through the center of the Ferry Building, renovation of existing docking facilities, and a new breakwater that provides a protected southern basin for future ferry excursion service expansion. The project is scheduled to begin construction in 1998.

Fisherman's Wharf. Part of the history and magic of Fisherman's Wharf was restored recently when the Port of San Francisco completed the first phase of the Lighting Revitalization Project at the Fishing Boat Lagoons on the Wharf. Underway since 1996, the lighting project creates a consistent, integrated lighting program for Fisherman's Wharf. A plaza is being constructed on the Fisherman's Wharf Triangle Lot at the corner of Jefferson and Powell Streets. The plaza will extend west of Powell Street, accommodating the heavy pedestrian traffic common to the Fisherman's Wharf area with benches, trees and public toilets. Construction is currently underway and is expected to be completed by Fall 1998.

THE MID-EMBARCADERO ROADWAY PROJECT, INCLUDES REALIGNMENT OF THE SURFACE ROADWAY, CONSTRUCTION OF THE EMBARCADERO PROMENADE, AND CONSTRUCTION OF A PLAZA ON THE CITY-SIDE OF THE FERRY BUILDING. THE PROJECT, WHICH EXTENDS FROM FOLSOM STREET IN THE SOUTH TO BROADWAY STREET AT THE NORTH, IS SCHEDULED FOR COMPLETION IN THE YEAR 2000.

PORT COMMISSION:
Michael Hardeman, President
Denise McCarthy, Vice President
Kimberly Brandon
Frankie G. Lee
James R. Herman

EXECUTIVE STAFF:
Douglas F. Wong,
Executive Director
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